



AFRH-Gulfport
1800 Beach Drive
Gulfport, MS 39507

AFRH-Washington
3700 N. Capitol Street, NW
Washington, DC 20011

P: 800.422.9988
F: 202.730.3492
W: www.afrh.gov

THE POWER OF PROGRESS





On the Cover

When the USS Truxtun hit the rocks in February 1942, Lanier Phillips was hurled from the top bunk. He scrambled up to the deck where thick snow and a fierce gale were raging. "You could hear steel cracking," he said. Soon, the ship snapped, hemorrhaging fuel oil into the sea.

Daybreak revealed icy cliffs and sailors overboard. Should he stay with the ship? Or board a raft and brave the storm and who-knew-what on land?

Phillips believed he was off the coast of Iceland where he heard blacks were forbidden. He decided to brave the raft, which capsized as it reached land. Wet, frozen, and exhausted, he collapsed.

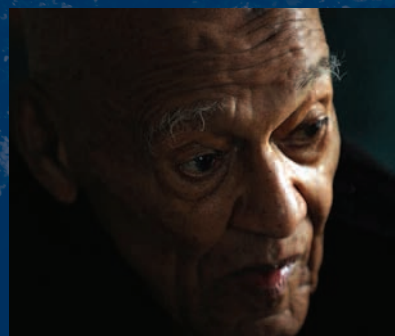
"Don't lie there. You'll surely die," said a voice. Phillips could barely see through the oil in his eyes, but he knew from the accent it was a local. The man helped him

up and walked him around a fire to warm up. Phillips was amazed. "I had never heard a kind word from a white man in my life," he said, "and I had hatred for white men."

The son of a sharecropper and great-grandson of a slave, Phillips grew up near Atlanta. He saw The Klan terrorize black

could have been run out of town," he thought. But this was a tiny coastal mining town in Newfoundland.

Phillips was one of 46 men to survive that day. He recovered, became the Navy's first black sonar technician, and retired after 20 years. He had a career in



"I've been successful because of the love & humanity taught to me in St. Lawrence."

— Lanier Phillips (Navy)

families and burn down the black school. At 18, he enlisted and became an officers' mess attendant, polishing shoes and serving meals. He slept in segregated quarters.

That night, women were washing oil off the survivors. "Everybody was black" with oil, he said. A woman gasped, "I can't get it off." Phillips replied, "It's the color of my skin." He feared the good treatment would end. Instead, she said, "I want him at my house."

Violet Pike, a miner's wife, took him home, fed him soup, and put him to bed. Phillips was in awe. "In Georgia, she

oceanography, marched with the Rev. Martin Luther King Jr. in Alabama, and raised a family.

Yet, he never forgot Pike, who rescued him.

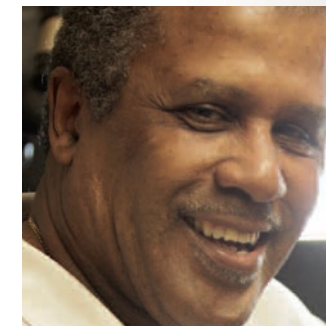
"Before that I had no value of life

I can never repay them," he said.

Still, Phillips made it his mission to tell this powerful story.

Recently, he received a Navy Memorial "Lone Sailor Award" for veterans with distinguished civilian careers. Past recipients include presidents, admirals, and members of Congress. Unofficially, the award also goes to the people of St. Lawrence — notable stewards of progress.

Ruane, Michael E.
"Shipwreck survivor
recalls how town altered
his idea of race."
The Washington Post
16 September 2010:
B1, B12. Print.



▶ Establish Accountability

We expect our workforce to achieve what we promise to residents, staff, and service partners. To ensure success, we measure progress and provide feedback to our customers.

▶ Honor Heritage

We honor the rich history of the US Armed Forces – from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.

GUIDING PRINCIPLES:

▶ Inspire Excellence

We continuously work to improve each process, service, and its delivery while striving for excellence in all we do. We expect excellence and reward it.

▶ Maximize Workforce

We strive to hire and retain the most qualified people. We maximize their success through training and development as well as maintaining and promoting open communication.

▶ Maintain Integrity

We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.

▶ Serve Customers

Success depends on our devotion to consistently serve ever-changing customer preferences. Hence, we vow to be innovative and responsive – while offering exceptional products and services at competitive prices.

The FY10 Performance and Accountability Report (PAR) is published by the Armed Forces Retirement Home (AFRH), Office of the Chief Financial Officer (CFO). An electronic version is available online at:

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*“They have advanced liberty around the world. And their service has improved the lives of millions. So it is only fitting that we continue to advance their quality of life in return. As we reopen Gulfport and modernize Washington we will serve our residents so they may live healthy, productive lives. That’s **The Power of Progress.**”*

– Timothy C. Cox (COO)

MESSAGE FROM COO

The Command of Innovation

What a remarkable year 2010 was for AFRH. After faltering in the 1990s and starting fresh in 2002, we have been on an upward trajectory. Our consuming passion has been to build on the Home’s historic past and plan for a modern future. Fulfilling the needs of our residents is at the heart of it all. As you read on I know you will share in the joy of our many achievements. This year, we completed a modern building in Gulfport and designed one for Washington. We created a major pilot program in senior living, Independent Living Plus (ILP), which now has 46 residents. Plus, we realized many goals and objectives in the final year of our FY06-10 Strategic Plan. Now AFRH is truly a leader as a CCRC¹.

Management is focused on fulfilling the AFRH Vision: “To actively nurture the Health and Wellness Philosophy of Aging....” So, we have been continually reshaping operations. The new Gulfport Home represents a 21st-century model for senior living with wellness programs, enjoyable activities, and energy efficiencies.

THE ESTABLISHMENT OF PRIORITIES

Through the Scott Project and the ILP pilot program in Washington, we have continued to develop services that are better matched to the residents’ needs and abilities. These services foster resident independence and mobility. Plus, strategic objectives were achieved in all resident-focused action plans. And finally, our “One Model” became reality as Washington managers worked diligently to replicate processes, contracts, and programs for a receptive new management team in Gulfport.

For the first time in the Home’s storied history, we have two campuses with business models that mirror one another. So, residents who move from one community to another will feel even more at home with the same care and service.

Fiscally, AFRH received its 6th annual “unqualified” audit opinion, and the Trust Fund balance continues to maintain high levels in 2010. We also transformed our information systems, partnering with National Business Center (NBC) to provide a hosted network that is compliant with the Federal Information Security Management Act of 2002 (FISMA). The assessments we underwent in 2010 offered suggestions and ideas, yet they culminated with praise for our resident care staff. We responded to the oversight of Office of Personnel Management (OPM), our Advisory Board, Department of Defense (DoD) Inspector General (IG), and CARF².

THE SPEARHEADING OF CHALLENGES

This year, the AFRH IG challenged us to deploy and manage the Scott Project, to advance the wellbeing of residents and staff, and to begin operations successfully at the new Gulfport facility. I am proud to say we succeeded in all three areas. For the Scott Project, an exciting design concept was approved, and we are on-track for 2011 construction. Also our new ILP program is growing and assisting more residents to remain independent. FY10 performance challenges centered on our Strategic Human Capital Plan, the succession plan, staffing models, military heritage, staff training, and cost containment. In “Performance” you will see just how successful we were in these areas.

The AFRH-G stand-up was our greatest success, as the AFRH community put its heart and soul into this project. Conceptual designs were agreed upon by staff, residents, and contractors. Ceremonies marked the demolition, groundbreaking, and final construction. And the entire community followed its progress from two-dimensional concept to reality over a two-year period. Meanwhile, website and newspaper coverage kept spirits high and stakeholders informed. And monthly focus groups gave insight to resident preferences and helped us create smart procedures to move them back “home”. All told, the confluence of ideas and efforts has energized AFRH as never before. In early October, joyous residents returned to the Gulf shores wide-eyed and amazed.

¹Continuing Care Retirement Community

²Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission

THE REALIZATION OF PROGRESS

AFRH has always been the home of both recognized and unsung heroes who have defended our cherished freedoms. Still among us are veterans from World War II, living alongside patriots from nearly every US campaign since the 1940s. AFRH is their haven and we are driven to fortify it. Today, AFRH is rapidly becoming the vibrant and modern CCRC we envisioned in 2002. As you leaf through this colorful album, you will see the jubilant faces of residents and staff that affirm our success. With a resident-driven focus, we pledge to deliver the best care to the residents of today and tomorrow. While 2010 proved to be a year filled with *The Power of Progress*, our best days are still ahead.



Sincerely,

A handwritten signature of Timothy C. Cox in dark ink.

Timothy C. Cox
Chief Operating Officer (COO)

November 15, 2010

“One plane dropped a
coal sack
 on a house – our first
 home delivery.”

— Joe Shuff (Air Force)



During the Berlin Air Lift, our servicemen fed people in Berlin and employed some 25,000 Germans to load and unload planes with supplies. Joe was in Germany during the final months maintaining C47s and C54s. “We’d strip ‘em down to the bare skin and rebuild them like new. We’d flee the runway when planes would swoop in with deliveries – then run back out and continue repairs.” Ultimately Joe spent 30 years with PPG Industries as



a welder and fabrication supervisor. His favorite activities are sightseeing, walking, and exercise. “I’m a person who needs to stay busy. So I work in the woodshop and try to exercise seven days a week.” During family visits they walk all over DC to see the attractions. “I’ve really enjoyed living here, but I’m moving back to Gulfport to live near my daughter and grand-kids.” Otherwise Joe has no complaints. “The staff does a terrific job of taking care of us. They really bend backwards.”

Introduction

AFRH Evolution

2010 Overview

The New AFRH-Gulfport

High-priority Performance Goals

Korean War 60th Anniversary

Risk Management

AFRH At-a-Glance

PAR Introduction

Nearly 200 years ago, the leaders of our young nation made a *Promise* to care for our former enlisted military personnel who were aging or infirm. This pledge would be the soldiers’ *payback* for risking their lives to preserve liberty. In 1811, Congress realized this pledge by passing legislation to build a home for destitute Navy officers, sailors, and Marines in Philadelphia. By 1833, the new Naval Asylum was complete and it housed more than 400 pensioners.

By 1851, momentum had built to fund a second home in Washington, DC using reparations from the Mexican-American War. At the behest of General Scott, our government bought the Riggs cottage and farm in the Washington countryside and established the Soldiers’ Home with just three “inmates”. A Trust Fund was formed to sustain the Home for future veterans.

Since then, two separate and distinct homes evolved to meet the needs of residents. The Naval Asylum moved to Gulfport, MS and the Soldiers' Home became a “city within a city” with a working farm. In the 1950s, leisure and recreation took priority and new amenities were added. By 1991, both merged and began operating under one standard business model. Today they make up one thriving, modern retirement community: AFRH.

PROGRESS

Senior Management’s evolving history

Field of Expertise	Combined Yrs.
Military Service	188
Guard/Reserve	235
Civilian Federal Government	424
Specific Experience in DoD	208
AFRH	260
Contract Experience in General	175
Contract Experience at AFRH	117
Healthcare & Private-sector CCRC Facility, Engineering & Maintenance	244

Total Years Experience: 1,651

“In 1943, there was plenty of romance going on in Washington!”

— Mary Nelson McLeod (Navy)

Seminary for Girls. There were 4,000 of us and it was Top Secret. We broke a German code! Each of us worked out a certain part. If anyone asked questions, we’d say, ‘we’re screwing in light bulbs.’ They really treated service people wonderfully. At the movies, there were long lines, but ushers took us straight into the theater. In restaurants, we never could pay a bill. They’d say, ‘That family paid it.’ I never felt like I contributed much ... but there were a lot of us doing a little bit – and all together it counted.”



“I worked in the Navy Code and Signal Laboratories in 1943. DC was full of WAVES and many international service members. I met my husband there at the end of The War. He was a pilot stationed at the Pentagon. We took over the Mt. Vernon

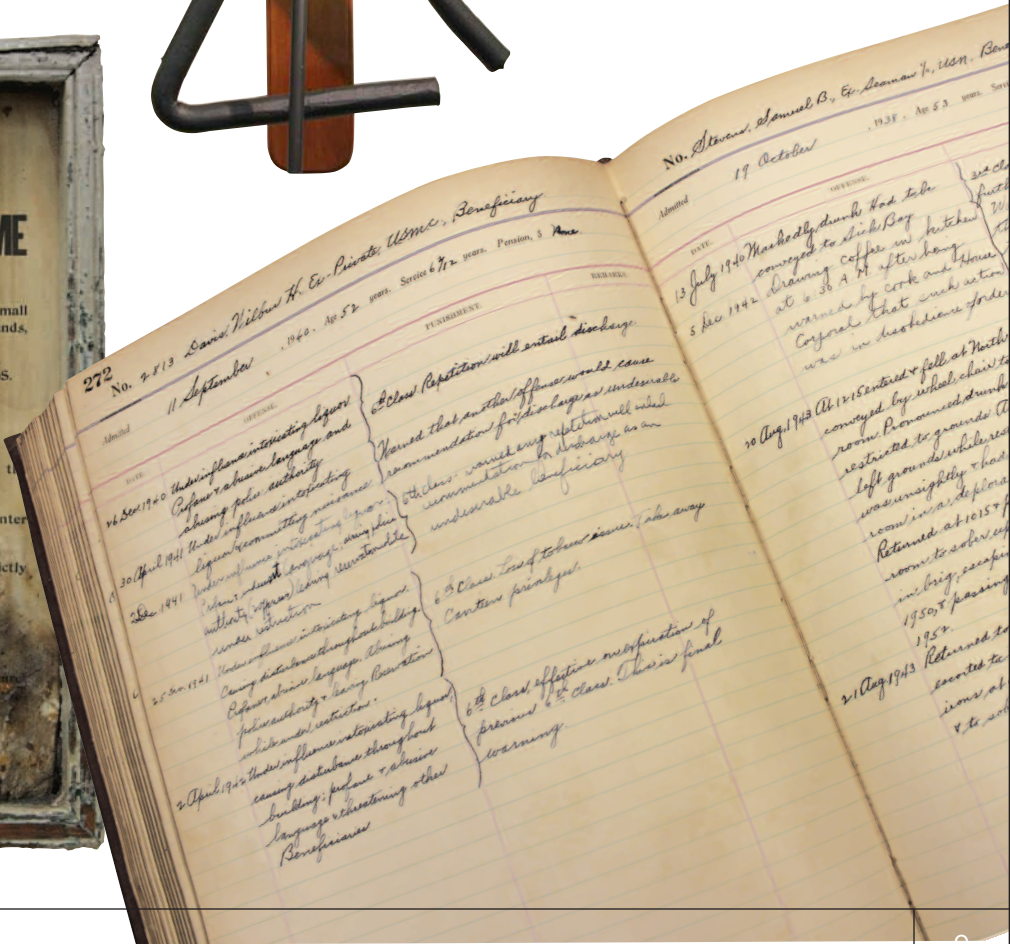
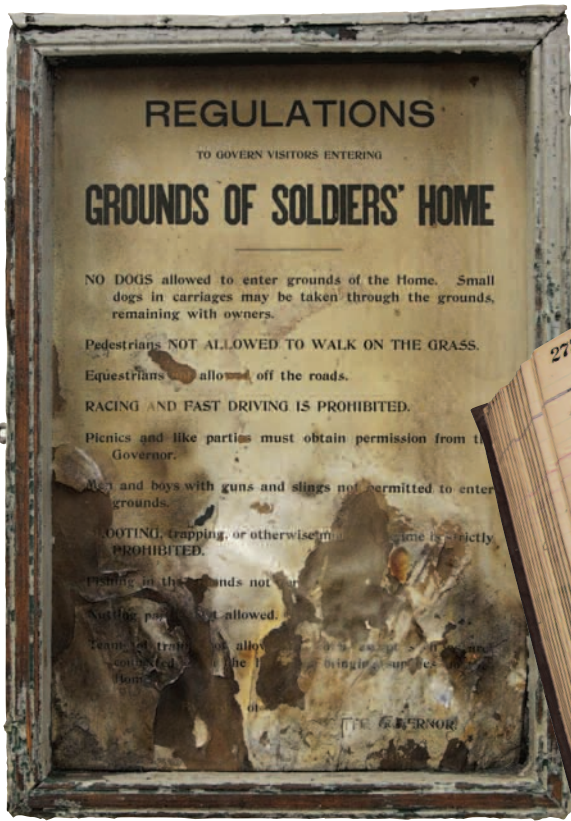
AFRH IN HISTORY

The Importance of Evolution

Charting the Home's Progress:

1833 THE NAVAL HOME	1851 THE OLD SOLDIER(S) HOME	2010 ARMED FORCES RETIREMENT HOME (Gulfport + Washington)
“Shipmates”	Old Soldier “Inmates”	“Residents”
All Male	All Male	Male & Female
Biddle Hall in Philadelphia, PA	The Riggs Home in Washington, DC	3 Residences in Washington, DC Modern Facility Opening in Gulfport, MS
Handwritten Ledgers Horses & Walking Farming & Machine Work Nurturing Infirmities		Automated Record Keeping Buses & Shuttles With HVAC Leisure Activities & Golf Aging in Place

A rich history spanning two centuries.



PROGRESS



US military heritage surrounds AFRH.



Navy Seabees install anchor at AFRH-W.

2010 OVERVIEW

The Influence of Invention



Tim Cox clarifies our vision to Robert L. Gordon, III, Deputy Under Secretary Defense for Military Community and Family Policy.

When an organization has a strong future vision – and its people and resources are aligned towards a goal – progress is limitless. Since 2002, AFRH has been relentlessly pursuing a new course to improve the lives of its residents. Our charge: to transform an historic site into a modern facility with the best service and amenities.

While the journey has had ups and downs, the focus forward has been unwavering. We've made great progress revamping facilities and programs with Aging in Place, which provides more personalized care and broader support. Bolstered by modern business practices and capital improvements, AFRH has made great strides. All of which will keep America's unsung heroes healthy and happy well into their golden years.

Step by step, management is achieving its strategy to create two premier facilities that are also cost-effective. After all, prudent management and fiscal discipline put us in the position to re-create AFRH in the first place. Soon, our aim to achieve greatness will be fully realized.

See for yourself what develops.

If you took a stroll around AFRH-W in September you would have seen enthusiasm in the residents' faces. Returning Gulfport residents and Washington transfers were counting down the days until they moved in October. And Washington residents were wishing their friends the best before they left. Yet their home is undergoing big changes, too. Concept designs are complete to revamp this historic site and residents are beginning to move from the soon-to-be demolished Scott residence.

AFRH has created a new way for residents to Age in Place in comfortable surroundings. This year we engaged 46 residents in a pilot program called Independent Living Plus (ILP) – a first for AFRH. Now residents can stay independent in comfy living rooms and we can avoid uprooting them to higher levels of care. Plus, home healthcare aides will provide extra help as needed.

The advances are endless: from automated resident payments, electronic health records, and expanded leisure activities . . . to stronger partnerships, increased stakeholder visibility, and the return to Gulfport. The progress is powerful, indeed.



Roger Davison (Air Force) on cloud nine at the ice cream social.





"I told that
purse snatcher:
don't move or
I'll nail you
again."

— Doris Jones (Army)

Doris took Tai Chi, Martial Arts, and our self-defense course for seniors: "Cane Fu". That training gave her the confidence to thwart a purse-snatcher on the Metro. "I was sitting near the

handicapped seats and this lady yells: 'Stop that guy – he stole my bag!' Suddenly a big man – 6' 2", 200 pounds – ran by me headed toward the exit doors. So I put my cane out under his feet – and tripped him. I got right up

on him and took a stance like they taught us – and WHOOOO! – struck him in the back."

Doris busted a few of his ribs and knocked his air out. Within minutes the police came and found Doris holding her heavy cane on him. "The officer said: 'Ma'am, what possessed you?!?' I said: 'I knew I could take him because I'm Army trained.'" That's impressive for a woman of 5' 2" who rides a three-wheeler. Some parting words of wisdom from Doris: "Every lady should take a self-defense class. You never know."



Special Supplement on the Return to Gulfport

GLORY ON THE GULF



In August 2005, Hurricane Katrina slammed the Gulf Coast and its wrath destroyed AFRH-Gulfport. Management swiftly transferred 351 residents to AFRH-Washington and deployed accommodations. Despite these traumatic events, and the loss of their beloved Home, our residents have remained strong and resolute.

By 2007, plans for a new community were approved with the support of Congress. Our team rapidly integrated new trends in environmental design, adopted the latest advances in Green technology, and implemented Aging in Place. Finally, this new Home was built to mitigate the effects of a Category 5 hurricane. Like our resilient residents, AFRH-Gulfport stands tall once again.



“A comfortable harbor will be secured, where he may safely moor and ride out the ebb of life, free from the cares and storms ... ”

- Commodore William Bainbridge
(Naval Home cornerstone laying, April 3, 1827)

From Devastation to Delight





A sparkling view of the Mississippi Sound from a resident's balcony.



A refreshing pool graces the new building.

A "Hall of Honors" depicts the Home's place in military history.



Washington Residents bid farewell to departing comrades.



Residents board a charter flight back to Mississippi.

The Strength of Modernity

THE NEW AFRH-GULFPORT



Many comfortable areas to rest, talk, and catch up.

The flag we lowered after Katrina flies again.



Gulfport welcomed our residents home with a gauntlet of water.



John Nagy is first to deplane in Gulfport.



Master Chief Jim Fairbanks (Ombudsman) greets residents.

Local high school students show appreciation.



INTRODUCTION

Assisted Living Residents Return.

"I have been saying I would kiss the ground for five years."

— Irene Smith (Navy)



Grand Opening Celebration.



PROGRESS

Joyous residents return home.

On October 4, the first returning residents made their way back home by car and plane. They were classified Priority "1a and 1b" because they were evacuated from Gulfport in August 2005 to AFRH-W and have waited patiently to return. That ordeal earned them the privilege of first choice of rooms and an expense-paid move. So, they will occupy the building first.

AFRH chartered their flight, which arrived in Gulfport amidst tears of joy. As residents walked into the new community, "Ooohs" and "Ahhhs" were plentiful as they meandered down the wide, pristine corridors. Radiant faces reflected an historic milestone in the rich, storied history of AFRH. Meanwhile friendly staff welcomed them with open arms. At last, our residents were "home".

It's unbelievable, it's so breathtaking."
— Dorothy "Gigi" Malone (Navy)

Retirement living at its best.

This new Home is a wonder in modern engineering and senior health and housing. It is the result of great talent, firm resolve, and keen patriotism. A comfortable retirement here is the ultimate payback for the sacrifices our residents made in serving America. After all, we are bound by law to uphold that original Promise to care for eligible service members and to preserve the Home's heritage.



Enjoying their first meal in the Dining Hall.

"I think I've died and gone to heaven."

— Barbara Folk (Navy)



HIGH-PRIORITY PERFORMANCE GOALS

The Dominion of Success

Positive change is evident in both communities. In Gulfport, a finished building stands where construction has progressed since 2007 and residents have begun moving in. In Washington, structural changes are modest but advancing. For instance, we made elevator improvements, fixed water fountains, repaired historic buildings, and made roof repairs. For the residents, we created even more programs, services, socials, dinners, tournaments, and performances.

PROGRESS

OBJECTIVE:

RESULT:

Streamline Processes



Automate Record-keeping



Forge New Partnerships
w/ Police & Coast Guard



Conduct Staff Security Training



Create Sharable SOPs³



Pass CARF-CCAC Inspection



³Standard Operating Procedures

SOPs:

- >> 319 online & ready for sharing with Gulfport staff
- >> 156 created solely for nurses, aides & practitioners

Activity Calendars:

2008: 2,393
2009: 2,085
2010: 3,112



We focused
resources on
3 key goals:

- 1 Healthcare
(Resident Wellbeing)
- 2 Housing for Veterans
a. Gulfport
b. Washington
- 3 Stewardship
(Corporate Effectiveness)





Dining Menus:

2008: 6,051
2009: 6,721
2010: 7,357

Resident Applications:







2009: 6,565 // (w/ Medical Forms: 3,746)
(Functional Assessments: 2,769)
2010: 7,307 // (w/ Medical Forms: 3,550)
(w/ Functional Assessments: 3,433)

Goal 1: Healthcare (Resident Wellbeing)

Ensure exceptional residential care and extensive support.



PROGRESS

OBJECTIVE:	RESULT:
Aging in Place	 Launched Jan 10
DoD IG Inspection	 Passed
ILP Pilot Program	 Deployed Feb 10
Resident Focus Groups	 Conducted Monthly
Resident Concerns*	 Addressed in Focus Groups
CARF-CCAC Inspection	 No Major Deficiencies

**Smoking, Linens, Dining, Supplies, Power Mobility Devices & Resident Security System*



All smiles at the mobile dental clinic.

Goal 2: Housing for Veterans

a. Gulfport

Add residents to a fully-functional facility in FY11.



OBJECTIVE:	RESULT:
New Construction	Completed
Occupancy	Growing
Service Offerings	Complete
Chapel Restoration	Refurbished
Swimming Pool	Installed
New Beach Bridge	Built
AFRH Building Keys	Acquired
Move-In	Ongoing

From construction to cheer.



PROGRESS

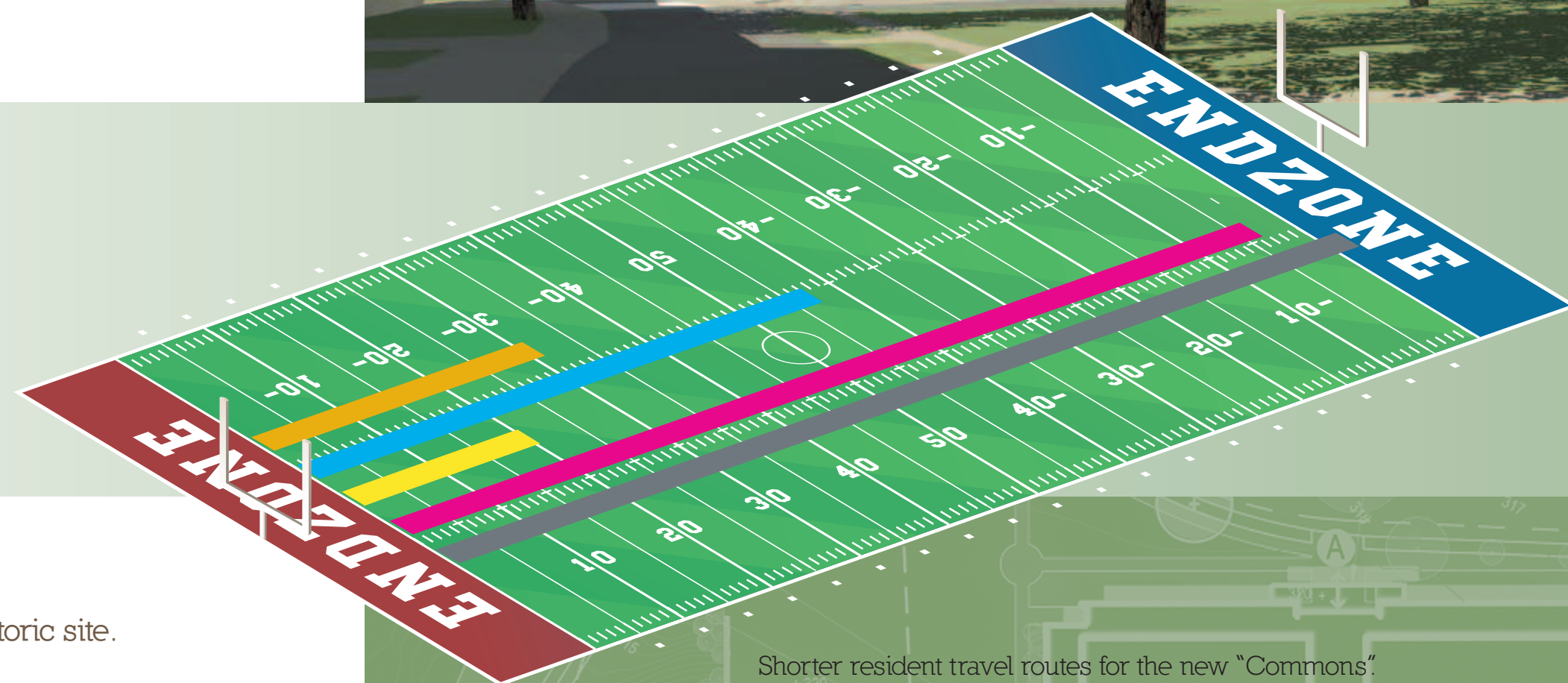
Construction	Facility	Grounds
1,027 Days of Construction	582 Resident Units	1 Reflecting Pool
44,000 Yards of Concrete	450 Sq. Ft. of Living Space	1 Resident Swimming Pool
8 Stories (634,000 GSF)	1 Bath, Shower & Closet per Room	1 Pedestrian Bridge to Beach
400 Total Workers	49 Waterfront Acres	1 Restored Chapel (1912)
100% On-schedule	Cat 5 Hurricane Mitigation	1 Full-perimeter Walking Path
	15 Feet Above a 35-ft. Tidal Surge	1 Guard Booth
	100% LEED Silver with Green Roofs	
	4.5 mw Generator Back-up	
	535 Parking Spots	



An artist's
rendering of
our future
"Commons"
Building.

Goal 2: Housing for Veterans b. Washington

"Right-size" and give AFRH-Washington a facelift by 2013.



PROGRESS

New design complements historic site.

OBJECTIVE:



RESULT:

Commons Design	 Approved by NCPC ⁴
Design / Build Contract	 To be Awarded: Q1 FY11
IT Relocation Contract	 Designed & Awarded
Chillers Relocation	 Designed & Awarded
Cooling Towers Relocation	 Designed & Awarded
Transition Period	 To Begin: FY11

⁴National Capital Planning Commission

Smaller
footprint.
Greater
freedom.
More
efficiency.

Shorter resident travel routes for the new "Commons".

 UNDERGROUND CONNECTOR:	Designed: 91 FEET	Current: 91 FEET
 IL to COMMONS:	Designed: 173 FEET	Current: 276 FEET
 DINING to MAILBOXES:	Designed: 60 FEET	Current: 763 FEET
 IL to THEATER:	Designed: 290 FEET	Current: 618 FEET
 IL to DINING:	Designed: 310 FEET	Current: 498 FEET



Communication Plan:

2009: 9,027
2010: 22,024



Our gazebo
is perfect for
afternoon
"R&R".

Goal 3: Stewardship (Corporate Effectiveness)

Maintain overall vitality via efficient management.



"One Model" once again.

The "One Model" was created in 2002 under the leadership of COO Timothy Cox. It called for standardized processes and procedures at both locations. With the re-opening of AFRH-Gulfport, we mirrored the staffing, building design, budgets, and contracts of Washington to ensure a cohesive organization.



Agency PAR PDFs:







2008:	1,986
2009:	2,321
2010:	9,028

PROGRESS

We meet and
exceed Federal
standards.

OBJECTIVE:

RESULT:

Unqualified Audit Opinion	 6th Consecutive
Public to Public IT Network	 Implemented per Federal Standards
OPM Audit	 Yielded Compliments in Focus Areas
Aging in Place Training	 Developed & Ready for Staff
Website Updates	 Ongoing
Communication Plan	 Accurately Portrays our Modernization

AFRH staff attends
required training.



"Bill" Miles (Navy) and Walter "Kit" Kitson (Air Force) accept a plaque of appreciation from Yang Kim (Republic of Korea).

The Act of Gratitude

KOREAN WAR: 60th ANNIVERSARY



The Republic of Korea saluted six fortunate AFRH Korean War veterans to honor American military service in the Korean War. Their government invited our "Seoul Seven" to visit the capitol of South Korea where they were treated to luncheons, banquets, sightseeing, and hospitality. Our residents were also showered with gifts, medals, and flags throughout the trip as a heartfelt show of gratitude for all they did.

Best of all, the entire trip was all-expense-paid. The most noteworthy event on the junket was a visit to the Demilitarized Zone (DMZ) where residents were given VIP treatment. Emotions ran high as the residents stood on North Korean soil. In the end, new friendships were forged and foreign relations were solidified.



THE REPUBLIC OF KOREA

From the Republic of Korea:

"The year 2010 marks the 60th anniversary of the outbreak of the Korean War. The peace, prosperity and liberties that we cherish today are built on our selfless sacrifices and contributions. Korea is forever indebted and we will continue to build the trust and friendship between our nations."

"We were treated
royally.
The chance to come back
touches our souls
deeply."

—"Kit" Kitson (Air Force)



Korean War (1950–1953):

a conflict between the Republic of Korea (South) vs. the Democratic People's Republic of Korea (North) and the People's Republic of China (with air support from the Soviet Union). The campaign was supported by the UN, and it was the first significant armed conflict in the Cold War era. Combat began 25 June 1950, and an armistice was signed 27 July 1953.

US Casualties:

6,516 **dead** (2,830 non-combat)

92,134 **wounded**

8,176 **MIA**

7,245 **POW**

WASHINGTON MASTER PLAN

The Domain of Security



The National Defense Authorization Act for FY 2002 permitted AFRH (via DoD) to sell, lease or otherwise dispose of underutilized buildings and property. So, AFRH launched its real estate Master Plan which forms the basis of our risk management strategy.

The focus of the Washington Master Plan is to preserve and improve the Home for the residents and the community. At the same time, the Plan aims to create an additional revenue stream for the AFRH Trust Fund, our main source of funding.

After six years of planning and design to develop 77 acres, we finally received approval from the NCPC to move forward with the Master Plan in 2008. We were poised to continue with GSA as our development partner. Although postured, AFRH never reached an agreement to proceed with the development on campus. While market conditions were deteriorating during the course of the discussions between AFRH and the preferred developer (Apr 2007 – Sep 2008), the cessation of negotiations was based on the inability of the respective organizations to reach agreement. The dispute centered on several fundamental transaction-related issues related primarily to the control structure of the transaction.

BOTTOM LINE:

AFRH shifted its focus from revenue generation to infrastructure improvements.

FY10 UPDATE:

Several interested parties have contacted AFRH about the possible development of areas in the zone near Irving Street. Discussions are ongoing, yet no final determinations have been made as of the publication of this PAR.

AFRH At-a-Glance

Federal Authority:	AFRH Act of 1991, Public Law 101-510 (as amended 1993, 2001, 2006, 2008, 2010)		
Current Locations:	Beach Drive, Gulfport, MS (49 acres) N. Capitol Street NW, Washington, DC (272 acres)		
Organization:	AFRH Corporate Headquarters (Washington, DC)		
2 AFRH Communities:	AFRH-Gulfport // AFRH-Washington		
Resident Capacity:	(as of Sept. 2010) // Gulfport, MS: 582 // Washington, DC: 1,323		
Average Resident:	82 Years Old		
Funding:	Congressional Authorizations from a Government Held Trust Fund fed by Resident Fees, Active Duty Enlisted Military Withheld Pay, Fines and Forfeitures, and Investment Income		
Trust Fund Balance:	\$186 Million		
Major Services:	Private Rooms & Showers Medical, Dental & Vision Care Dining Facilities Senior Activities & Programs Recreational Activities Shuttle & Public Transportation Independent Living Independent Living Plus Assisted Living Memory Support Day Care Long Term Care	Major Amenities:	Fitness Center Walking Trails Life Trail Course 9-hole Golf Course 6-lane Bowling Center Hobby Shops Fish Ponds 600+ Seat Theater Full-service Library Computer Center



“This is it—
because we have
so many activities
and amenities.”

— Helen Sadowski (Navy)

PAR INTRODUCTION

The Power of Progress



This year, we have successfully completed many objectives in the AFRH Strategic Plan (FY06-10). When we think back on our situation in 2005, when we drafted this document, we can truly see just how far we’ve come. While we still have a ways to go, FY11 will mark a new beginning on the Gulf Coast and a dynamic transformation in Washington.

This PAR is the culmination of our rebuilding years and the vision of our Strategic Plan. Moreover, it specifically covers agency events from Oct 1, 2009 – Sep 30, 2010. Now, more than ever, our best days are truly ahead.

Each year, US Government agencies are required⁴ to report achievements to the public and Congress in the PAR.

Here, we share glimpses into the Home’s rich heritage and lively community as well as clearly explain the relationship between our objectives, the costs, and our results. Plus, we show how we protect and manage the funds accumulated from those who have served – and how we ensure those funds will provide the best retirement for eligible residents.

This PAR has four parts that discuss in detail how AFRH has progressed and what those powerful achievements will do for those who served America. Their dedicated service combined with their payroll contributions have earned them a special place to call “home”.

**Part 1.
Management’s
Discussion and
Analysis
(MD&A):**

a summary of our performance and financial status, featuring accomplishments and challenges. The MD&A includes our compliance with essential legal requirements.

**Part 2.
Performance:**

a detailed outline of the AFRH Goals and Objectives. This section has our achievements and our shortfalls, continuing with our second year of High-priority Performance Goals.

**Part 3.
Financial:**

the audit opinion, financial statements, disclosures, and notes regarding AFRH fiduciary activities in the past fiscal year.

**Part 4.
Accompanying
Information:**

the IG Statement, management challenges, improper payments, and acronyms.

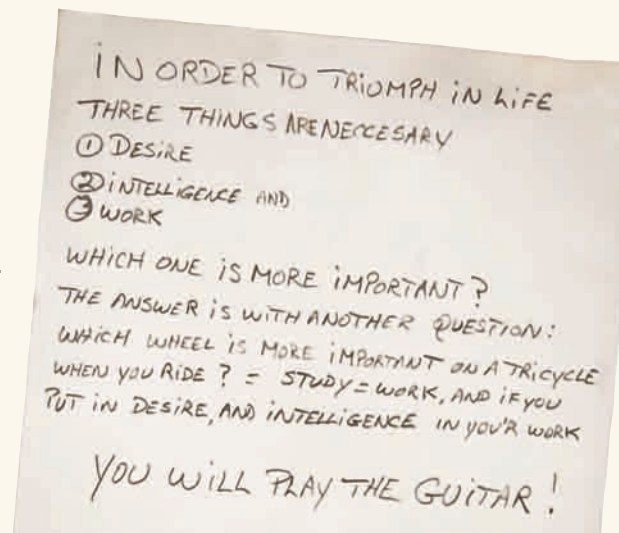
AFRH employees & contractors prepared this report in accordance with Federal guidelines.

⁴The Accountability of Tax Dollars Act of 2002
The Federal Management Information Security Act of 1998
The Federal Financial Management Improvement Act of 1996
The Government Management Reform Act of 1994
The Government Performance and Results Act of 1993
The Chief Financial Officers Act of 1990
The Federal Managers Financial Integrity Act of 1982, and
The Inspector General Act of 1978

"Playing the
Guitar
 is my life.
 It means I can
 keep moving and
 be happy."
 — Louis Lopez (Army)



In 1956, "Lou" started a Doo-Wop band with his buddies while serving in Germany. "Everyone in my family plays or sings. But, once I got married, I eased off ... because I had the Army and six kids." Years later, at work, he reached behind a big door that closed – slamming his hand. For decades he couldn't play. Then, his beloved wife died. "I lost interest in everything. I even thought about taking my life. But my children talked to me – that was my therapy." When he came here, Lou needed to be active. He knew ceramics, carpentry, and leatherwork alright. Then he saw a guitar in the Chaplain's office. "I could barely pick it up! But I used a squeezing tool to get those muscles to pay attention to my brain." Now he practices daily in his own studio. "This is my sanctuary – 19 months ago I couldn't do one-fifth of *this* ... " Suddenly Lou burst into an upbeat Spanish song like he does in the hallways most evenings. "Ah, I love this place."



MANAGEMENT'S DISCUSSION & ANALYSIS

Strategic Direction

AFRH Organization

Locations

Our Residents

Our Staff

Performance Summary

High-priority Performance Goals

Financial Statement Summary

Long Range Financial Plan

Legal & Regulatory Compliance

Management's Assurance

Early visionaries of 19th century America helped build a strong, viable nation. A select few also pictured a safe haven for our country’s former military to age gracefully with their comrades. Today AFRH and DoD are determined to provide service men and women with a vibrant community where they may thrive in their golden years. To achieve this, AFRH has steadily changed with the times.

Reinventing Retirement.

For two centuries, AFRH has evolved remarkably by responding to the unique needs of each generation. Today’s resident desires the latest amenities, human connections, and creature comforts. Year after year, we aspire to be a better, more responsive organization that meets and exceeds residents’ needs. With our sights set on modernization and wellness, we are cementing our reputation as a premier retirement community.

Ultimately, our great challenge is to preserve an enjoyable retirement in a fiscally prudent manner. We are pleased to report we are succeeding. Here in the MD&A, we showcase our many advances on the path to achieving our goals. We survey the AFRH organization, its strategic direction, our High-priority Performance Goals, and our financial status. All of which continually demonstrate the power of our progress.

STRATEGIC DIRECTION

The Impact of Planning

Record snowfall blankets AFRH-W in February 2010.

PROGRESS

OBJECTIVE:

Employing Aging in Place

Modernizing all Facilities

Raising Effectiveness

*Both Communities

RESULT:

AFRH GOV DOWNLOADS

AFRH STRATEGIC PLAN:

afrh.gov/aboutus/stratplan.html

[From Public Law] – 24 US Code, Section 411 Establishment of Armed Forces Retirement Home (b) Purpose – The purpose of the Retirement Home is to provide, through the Armed Forces Retirement Home-Washington and the Armed Forces Retirement Home-Gulfport, residences and related services for certain retired and former members of the Armed Forces.

Vision

To actively nurture the Health and Wellness Philosophy of Aging while providing our nation’s heroes with a continuum of Life Care Services in a community setting.

Mission

To fulfill our nation’s commitment to its veterans by providing a premier retirement community with exceptional residential care and extensive support services.

Guiding Principles

Establish Accountability

Honor Heritage

Inspire Excellence

Maintain Integrity

Maximize Workforce

Serve Customers

Corporate Philosophy

Our vision and mission are strongly rooted in the Home’s heritage. Yet, they also incorporate modern philosophies in senior care. Further, our Guiding Principles were crafted to ensure delivery of the Home’s services, while also guiding the success of our strategies. Ultimately, these tools will help us meet the needs of tomorrow’s veterans.



AFRH ORGANIZATION

The Force of Efficiency

Management:

AFRH is organized in a contemporary business establishment with a corporate office that manages independent functioning retirement communities in different locations. This arrangement allows corporate to make strategic decisions as well as communicate with Congress and constituents.

Each AFRH facility operates under a Director, who reports to the COO. Each community may make its own tactical operational decisions, manage its facilities, and respond to local resident requirements.

The COO is subject to the authority, direction, and control of the Secretary of Defense, delegated to the Under Secretary of Defense (Personnel & Readiness) and the Deputy Under Secretary of Defense for Military

Community & Family Policy. Plus an Advisory Board provides expertise and knowledge of all aspects of senior living.

Facilities:

At the end of FY10, the successful "One Model" for operations was fully replicated in Gulfport. With the completion of AFRH-G construction, this second community with its own Director became operational.

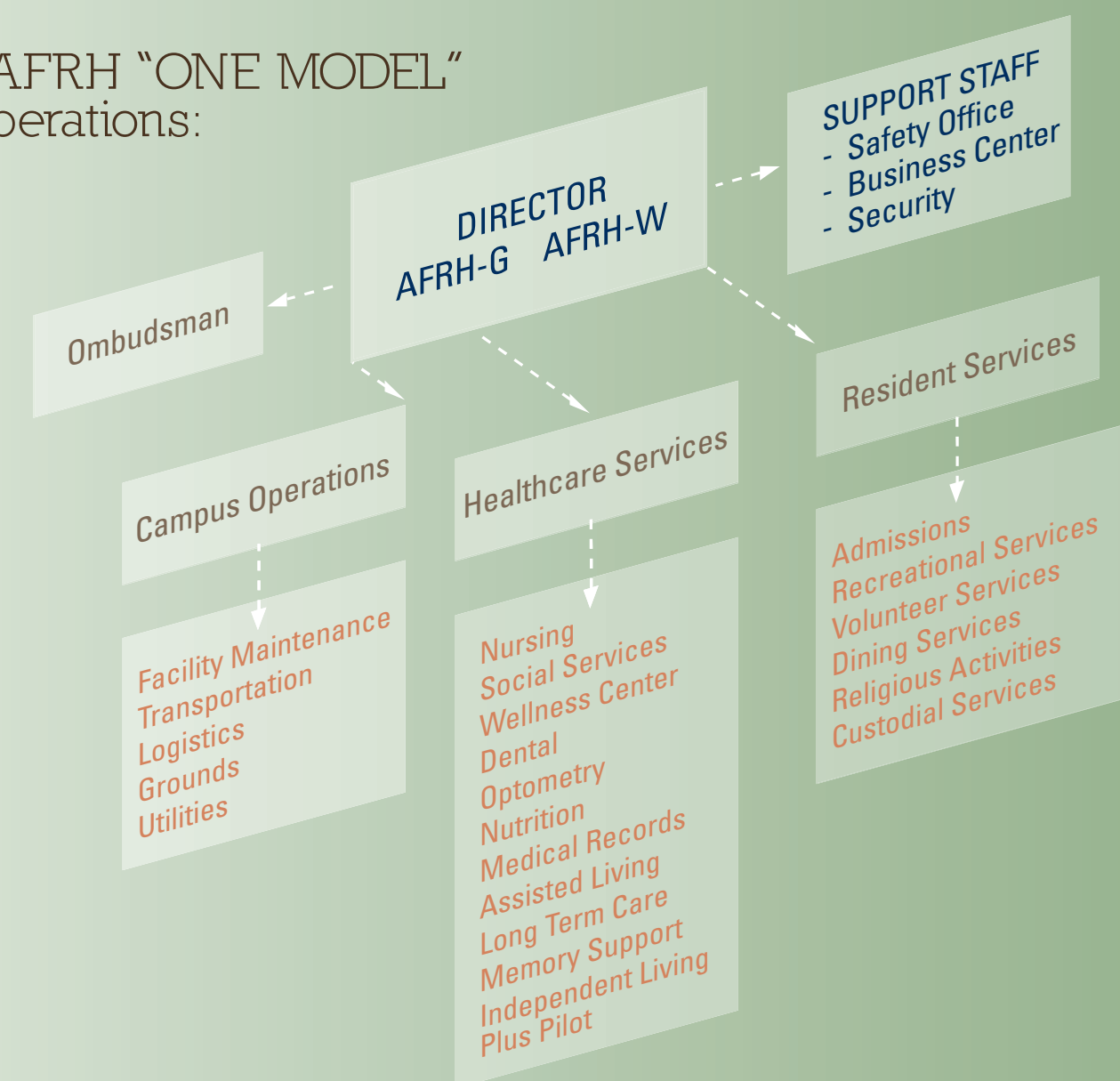
Dr. Clifford Stanley, Under Secretary of Defense for Personnel and Readiness, visits AFRH.



AFRH organizational structure:



The AFRH "ONE MODEL" for operations:



Back in 2004, both AFRH communities were flourishing residences. The agency was fiscally solvent and continued to evolve. Yet, Hurricane Katrina put many plans on hold. After that disastrous storm, AFRH-Washington became the sole provider of resident housing for AFRH, and many resources were shifted to care for our newly transferred residents from Gulfport.

Modernizing & Right-sizing.

Since 2005 residency has declined, partly due to our strategic initiative to modernize and right-size AFRH-W. Residences that are outdated are now being replaced. And buildings that no longer meet 21st century Federal guidelines have been mothballed. Our modernization coincides ideally with many residents' return to Gulfport.

LOCATIONS

The Pillar of Improvement

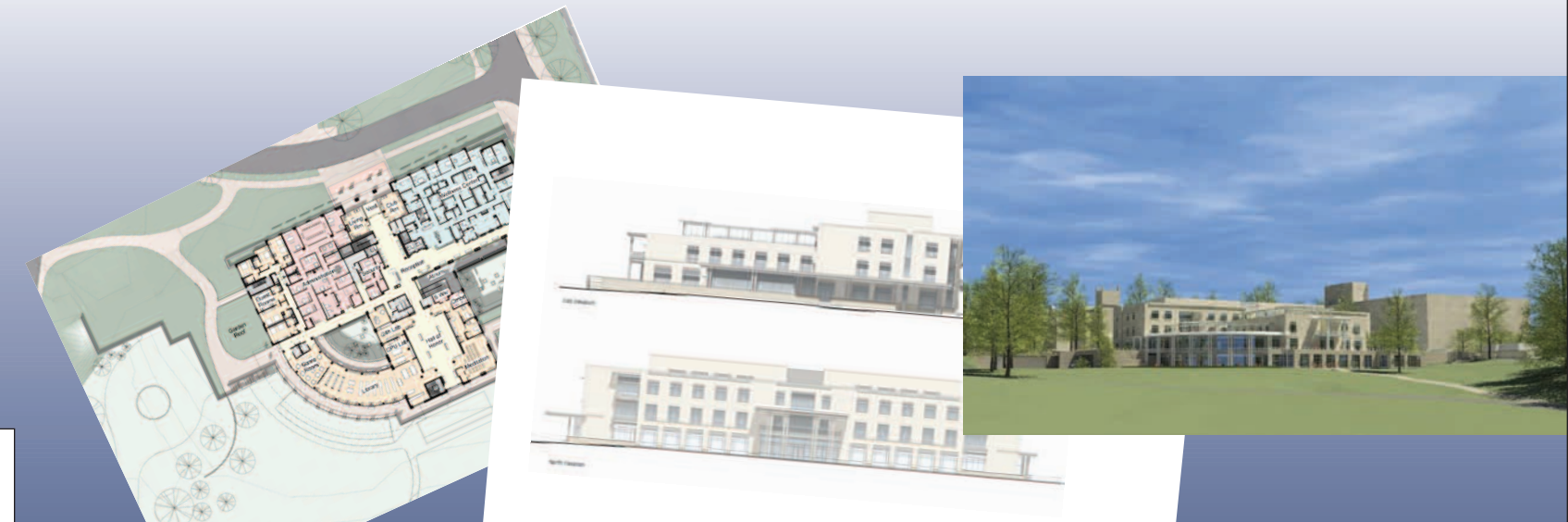


Gulfport, MS: Open for Residency.

With top-notch construction management, advanced engineering, and efficient scheduling, a modern facility with new amenities is complete. Staffing began with hiring of the Director Richard Heath in February 2010.

All year AFRH-W staff planned diligently for the Gulfport opening. Stellar work in developing Gulfport service contracts, as well as moving Gulfport residents and their household goods from DC, made the stand-up a success. Chuck Dickerson (Chief, Resident Services) and his team

made outstanding contributions to all service contracts, resident packing, and charter airplane transportation. Justin Seffens (Chief, Campus Operations) and his team performed admirably on all contractor consultations, punch lists, maintenance contracts, and ground transportation. Plus, Al Mori (Ombudsman) and resident Robert Leftiwitz were of great help in transporting residents' private vehicles. Lastly, Gulfport staff was hired over the summer and mentored by AFRH-W staff to prepare for the first occupants.



Washington, DC: Poised for Change.

The historic stone buildings on the quadrangle and majestic trees surrounding us could tell some tall tales – if they could speak. From war stories to buddy shenanigans, they've seen tens of thousands of former soldiers, sailors, Marines, coasties, and airmen rest, work, and thrive here for 160 years. Most of our inhabitants have come and passed. A few buildings have disappeared as well. Yet the spirit of military heritage and keen love of country lingers here like an old, familiar friend.

High on a hill overlooking Washington, DC, the AFRH has been home to many of the unsung heroes of necessary and just wars in America's defense of freedom. As our residents have aged so have the buildings and infrastructure around them. Now it's time for these things to change, too. Soon, a modern facility with the latest amenities – one that respects our rich history – will adorn these grounds. "The Scott Project" is underway and design concepts were finalized in FY10. Completion is slated for FY13.

OUR RESIDENTS



The Capacity of Endurance

Experience Living History.

Many of our residents are walking history books. Their stories are rich with human emotion – from the heights of wartime victories to the depths of personal sorrow. We are fortunate to have cared for several recipients of the Bronze Star, the Silver Star, the Congressional Medal of Honor, and of late, the Lone Sailor Award.

Beyond military tales and commendations our population also includes talented and accomplished painters, sculptors, writers, musicians, historians, photographers, and more. Come by for a visit and talk with one of our own. You never know what you may learn.



Eligibility:

Anyone may become an AFRH resident if their active duty military service was at least 50 percent enlisted, Warrant Officer or Limited Duty Officer (per US Code 24, Section 412 (24 USC.412). Further, a person must also:

- a) Have 20 or more years of active duty service and be at least 60 years old, OR
- b) Be unable to earn a livelihood due to a service -connected disability, OR
- c) Be unable to earn a livelihood due to a non-service-connected disability, yet served in a war theater or received hostile fire pay, OR
- d) Have served in a women's component of the Services before June 12, 1948.

UPDATE:
"Coast Guard & Maritime Transportation Authorization Act of 2010" (Sec 205) amends Section 1502 of the Armed Forces Retirement Home Act of 1991 (24 U.S.C. 401) to allow Coast Guard participation in AFRH.



Residents flocking to the Gulf:

Former AFRH-G residents (living at AFRH-W & moving back):	135
Current AFRH-W residents (moving to AFRH-G from wait list):	110
Total Moving to Gulfport from Washington:	245

Residents by Branch:

347 (40%)	Army
280 (32%)	Air Force
204 (24%)	Navy
33 (4%)	Marine Corps
3 (< 1 %)	Coast Guard

Resident Profile 2010:

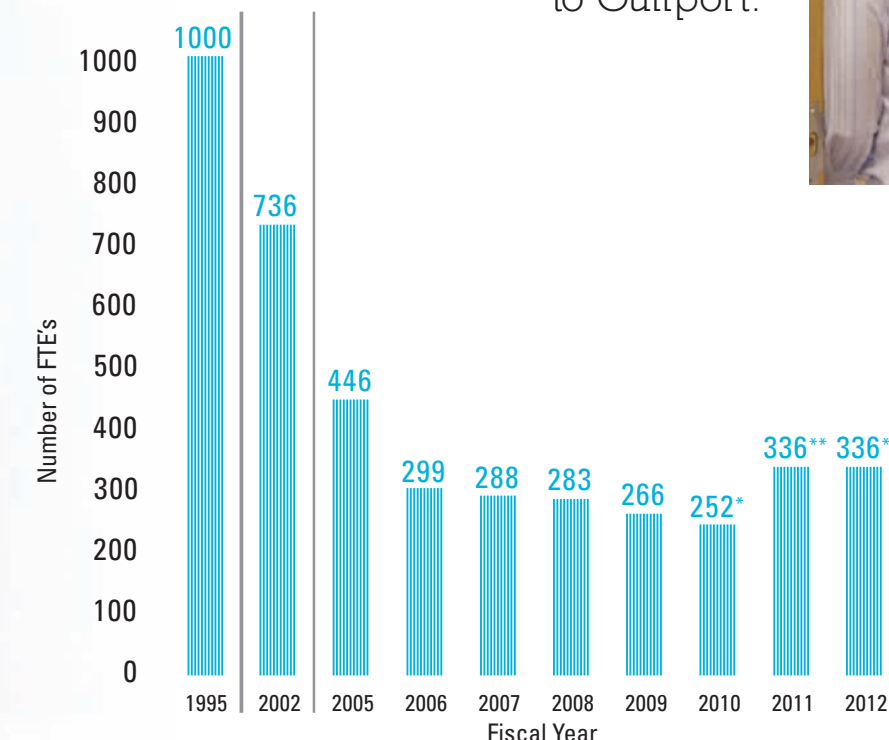
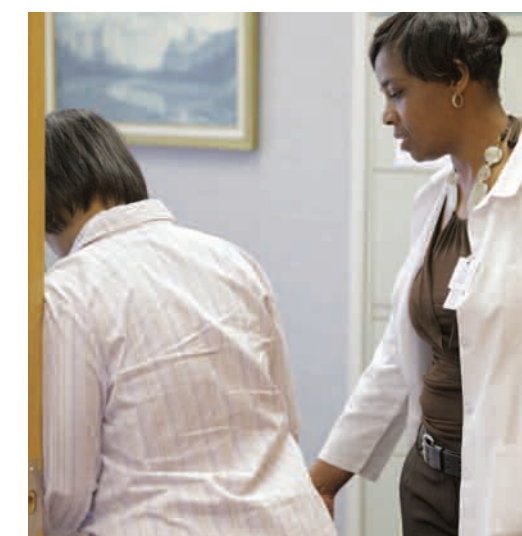
BY GENDER	BY WAR THEATER*	BY ELIGIBILITY CATEGORY
Male 777 (90%)	World War II 368 (31%)	Retiree 657 (76%)
Female 90 (10%)	Korean War 414 (35%)	Service-connected Disability 67 (8%)
	Vietnam 394 (34%)	War Theater 96 (11%)
	Grenada 3 (<1%)	Female (service before 1948) 47 (5%)
	Panama 0	
	Gulf War 0	

*Some were in more than 1 war



OUR STAFF

Pam Young (DON) was commended by CARF and went all-out to help residents move to Gulfport.



AFRH Staffing from 1995-2010.

*Gulfport starting to hire
** Projected

The Energy of Evolution

In 2004, our vision was to become much more effective, operationally. The Home has evolved and strengthened since then through a highly diverse blend of staffing. With a core group of Federal employees at the helm, we also engage the expertise of independent consultants and service providers in fields vital to delivering great service.

Further, AFRH partners with others for transportation, facility maintenance, landscaping, food service, healthcare, personnel, finance, strategic planning, marketing, and IT. By adhering to the "One Model" for operations, AFRH has made great strides in replicating similar operations at both facilities – for maximum efficiency.

"ILP helps residents with
daily tasks
so they can be more
independent."

— Omobola Akinkuowo (ILP Nurse)



Barack Obama
mandated
Performance
Goals for
Federal agencies.



Strategic Goals

Financial Growth	Create net growth and stability for the AFRH Trust Fund.
Exceptional Service	Enhance the AFRH experience to enrich the quality of residents' lives.
Improved Processes	Modernize operations to leverage and maximize resources across AFRH.
Learning & Growth	Promote personal excellence and professional growth for all personnel.
Culture of Integrity	Inspire commitment to AFRH Guiding Principles through mutual respect.

High-priority Performance Goals

1	Healthcare	(Resident Wellbeing)
2	Housing	a. Gulfport b. Washington
3	Stewardship	(Corporate Effectiveness)

PERFORMANCE SUMMARY

The Might of Measurement

The US government seeks greater efficiencies under the direction of the Chief Performance Officer and Office of Management and Budget (OMB). As such, agencies are required to focus on outcomes and set clear and measurable goals – and then use that data to reinforce priorities, motivate action, and guide improvement. This approach has proved effective.

In 2003, AFRH transformed the way it conducted business. We articulated our Mission, honed our Vision, and crafted Strategic Goals essential to success. Then we mapped our

Strategic Plan, which underwent multiple revisions over two years until we finalized a winning strategy.

Today, our High-priority Performance Goals stem from, and reinforce, our overarching AFRH Strategic Goals. Ultimately, these Goals are helping to direct our resources more efficiently. Plus, they are shaping a brighter future for AFRH.

Ongoing Evolution.

AFRH is now successfully completing many key actions in its Strategic Plan for 2006-2010. This has truly helped propel progress. Next year, we will assess many factors on the horizon that impact operations, and we will craft the next five-year Plan beginning in FY11.

Our Mission is solid. Our Vision is clear. And our Strategic Goals are constant. Yet, the emphasis and annual targets of those Goals will continue to evolve.



Justin Seffens and Chuck Dickerson led Gulfport resident moves and transport.

We manage performance in many ways. Internally, we use community Business Plans featuring action plans for the year, quarterly feedback meetings, and performance publications. Externally, AFRH is inspected annually by accrediting bodies or the Inspector General (IG), plus Office of Personnel Management (OPM). Further, staff performance reviews are linked to our Strategic Goals, and then the effectiveness of each employee is measured. The AFRH IG maintains documentation for agency accreditation and also manages issues, risks, and quality improvement derived from inspections.

Ongoing Progress.

AFRH has tracked progress on its High-priority Performance Goals since 2007, and we present the trends in the chart to the right. SUMMARY: we consistently achieve about 80% of our Strategic goals annually. This year, greater emphasis was placed on Learning & Growth in the Stewardship area because this is where AFRH had fallen short.

PERFORMANCE HIGHLIGHTS

The Realm of Achievement

IG Identified Challenges

2010 MANAGEMENT CHALLENGE	PROGRESS
Initiate Gulfport Stand-up	<div>- Facility accepted July 2010</div> <div>- Residents return</div> <div>- Wait lists reduced</div> <div>- Staffing ramped up</div>
Implement, manage & monitor Washington Scott Project	<div>- Awaiting awards for Design/Build</div> <div>- Concept design completed</div> <div>- On-time & on-budget</div>
Educate, train & promote Wellness to staff & residents	<div>- Trained 75+ staff in Aging in Place concepts</div> <div>- Distributed brochures to residents & families</div> <div>- Deployed ILP program</div>
PERFORMANCE CHALLENGE	PROGRESS
Deploy Human Capital Management Plan	<div>- OPM approved our Plan in Nov 09</div> <div>- Plan published in Dec 09</div>
Execute Human Capital Succession Plan	<div>- AFRH has drafted the plan</div> <div>- Gulfport reopening & staffing efforts have delayed completion</div>
Define Gulfport & Washington Staffing Models	<div>- Goal: Parity Staffing Models at all facilities</div> <div>- Models were created with regular updates</div>
Increase visibility of military heritage	<div>- Military “Hall of Honors” planned as focal point of new buildings at both Homes</div> <div>- Gulfport Hall of Honors opens in October</div> <div>- Scott Project Hall of Honors is designed</div> <div>- More historical artifacts have been installed at AFRH-W</div>
Adhere to timelines & participate in annual mandatory training	<div>- Tighter scrutiny of staff participation in mandatory training yielded better results</div>
Manage operating costs & expenditures	<div>- Analysis of economic conditions & possible scenarios helped shape forecasts & budgets</div> <div>- All contracts reviewed and updated</div>

ANALYSIS: High-priority Performance Goals

Relationship to AFRH Strategic Goals	Goals & Objectives	Baseline Performance Measure FY07 Target	FY07	FY08	FY09	FY10
Goal: HEALTHCARE (Resident Wellbeing)						
ES IP	Accreditation	In good standing	Met	Met	Met	Met
ES IP	% of resident satisfaction	70%	Met	Met	Met	Met
ES IP	% of resident assessment plans	95%	NA	NA	Met	NA
Goal : HOUSING FOR VETERANS						
GULFPORT						
FG ES IP	Construction	Within budget and on-schedule	Met	Met	Met	Met
FG ES IP	Operational plans	Plan	NA	Met	Met	Met
WASHINGTON						
	Construction	Within budget and on-schedule	NA	NA	Met	Met
FG ES IP	Operational plans	Plan	Met	Met	Met	Met
Goal : STEWARDSHIP (Corporate Effectiveness)						
FG	Trust Fund solvency	Even balance of resources vs. obligations	Met	Met	Met	Met
FG IP	Accuracy of financial reporting	Unqualified audit opinion	Met	Met	Met	Met
LG	Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	Met	Met	Not Met	Met
CI	% of Employee Climate Survey responses of “Excellent” or “Very Good”	70%	NA	Met	Not Met	Not Met

AFRH Strategic Goals

FG - Financial Growth CI - Culture of Integrity IP - Improved Processes ES - Exceptional Service LG - Learning & Growth

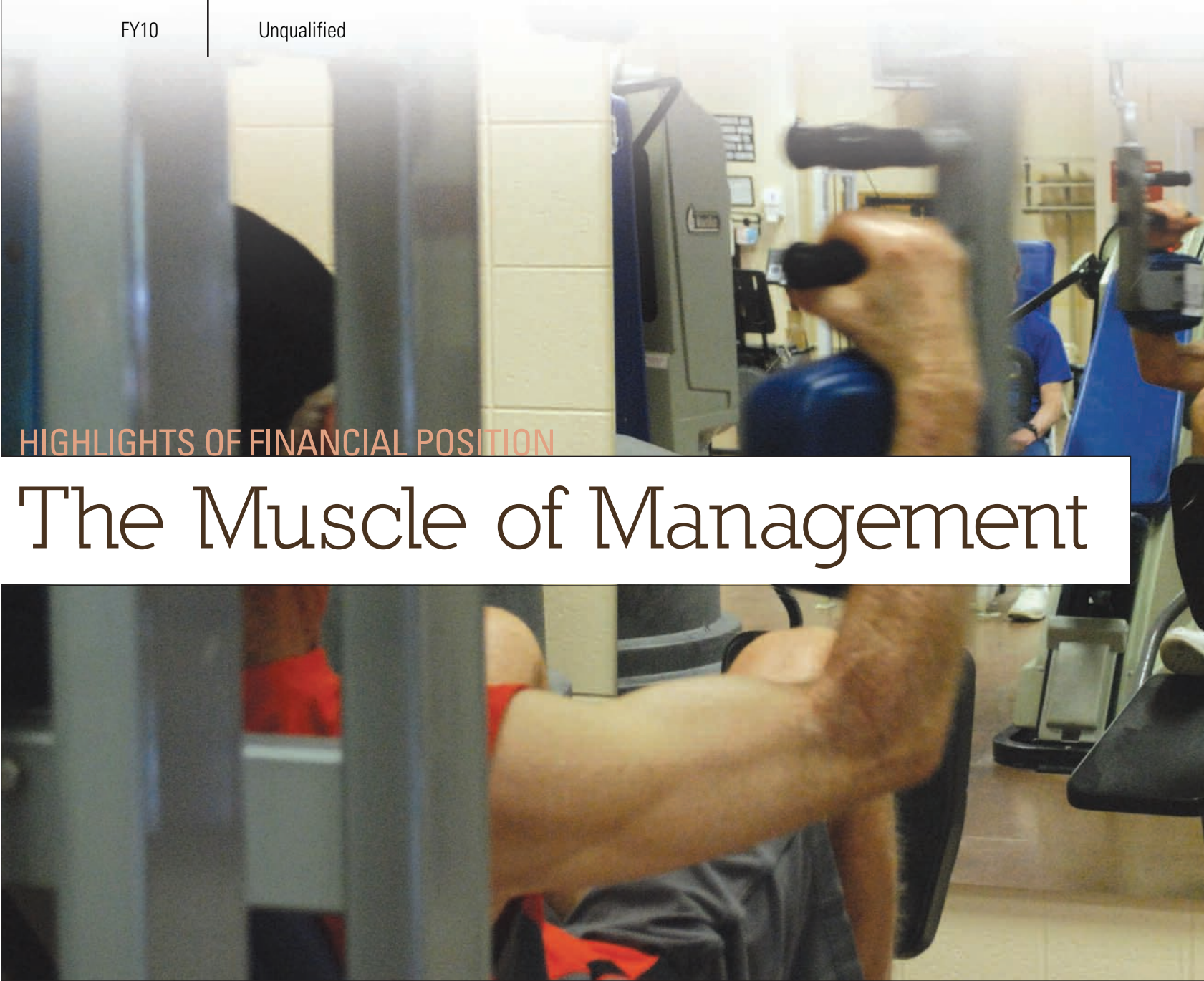


AUDIT TRENDS

FY04	(No audit)
FY05	Unqualified
FY06	Unqualified
FY07	Unqualified
FY08	Unqualified
FY09	Unqualified
FY10	Unqualified

6TH CONSECUTIVE Unqualified Opinion.

The independent accounting firm Brown & Company expressed an Unqualified Opinion on our comparative FY10 and FY09 Financial Statements, the Consolidated Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, and Statement of Budgetary Resources. Also, Brown & Company did not report any material weaknesses. Agency management, in partnership with BPD, is accountable for the integrity of the financial information presented in this report. All financial statements and data have been prepared from the AFRH accounting records in conformity with Generally Accepted Accounting Principles (GAAP) as defined by the CFO's Act of 1990 and OMB.



HIGHLIGHTS OF FINANCIAL POSITION

The Muscle of Management

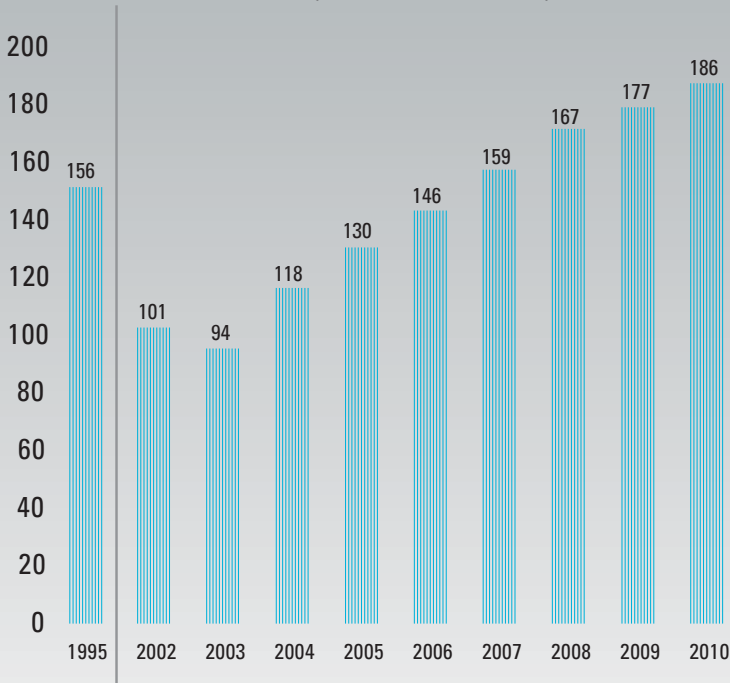
Limitations of the Principal Financial Statements.

Our statements have been prepared to report the financial position and operating results of AFRH, pursuant to the requirements of 31 U.S. 315(b). They were prepared following GAAP. These statements are in addition to financial reports prepared from the same books and records used to monitor and control budgetary resources. They should be read with the understanding they are for a component of the US Government, a sovereign entity.

AFRH Trust Fund: Solvent.

AFRH is unique: all funding comes from its Trust Fund as allocated by Congress. TRENDS: The Fund Balance has fluctuated throughout its history, reaching dramatically low levels in the early 2000s. Through efficiencies and economies, management has raised that balance to an all time high of **\$186 million** in FY10. Soon, AFRH will spend a portion of these funds for the Scott Project as an investment for future generations of residents. This will thereby reduce the Trust Fund levels. However, we forecast that the balance will begin to increase again by FY15.

AFRH Trust Fund Balance FY95-10:
{in millions of dollars}



Assets & Liabilities: Small Rise.

	FY10	FY09	Net changes	% Change
Assets	\$478,932,570	\$477,345,938	\$1,586,632	+ <1%
Liabilities	\$16,776,584	\$16,329,453	\$447,131	+ 3%

Ending net position: Increase.

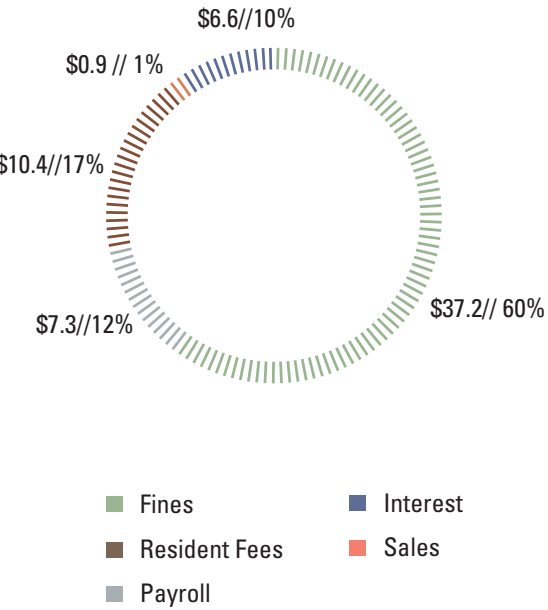
Net Position is the current value of the Agency’s assets less liabilities. Our Net Position at the end of FY10 (per the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position) was \$462 million: a \$1 million increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

Revenue: Steady.

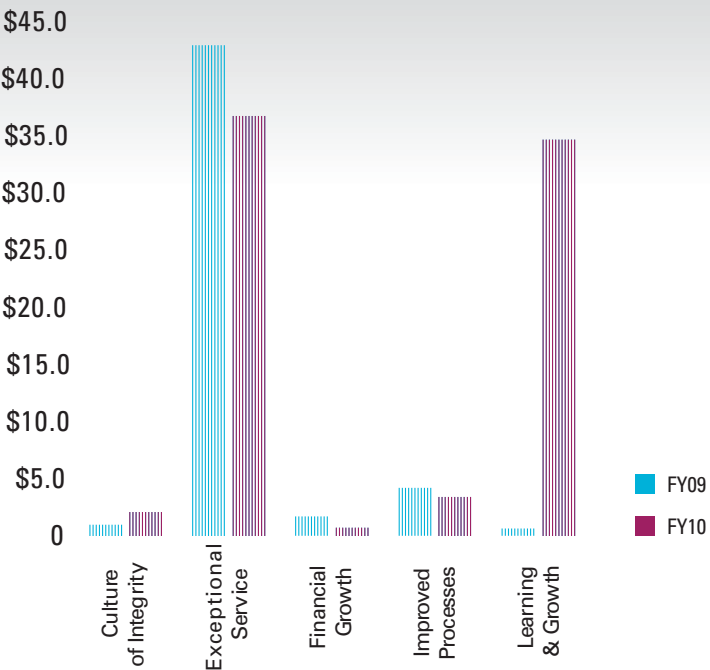
The AFRH Trust Fund, established by Congress in the 1800s, is the source of funding for all operations and capital expenditures. The revenue comes from automatic deductions from active duty enlisted, Warrant Officer, and Limited Duty Officer (currently 50 cents per month, per person, for the duration of service), as well as from Enlisted Fines & Forfeitures from all branches of military service, Interest Income (on Treasury Notes), Sales / Leases, and Resident Fees.

The Congressional budget request for FY10 equaled \$134 million with \$62 million in O&M and \$72 million in Capital Improvements. This entailed a \$7 million growth to begin the start-up of Gulfport. (Anticipated revenue was \$69 million in FY09, but actual was just \$61 million.) FY10 produced \$62 million in revenue.

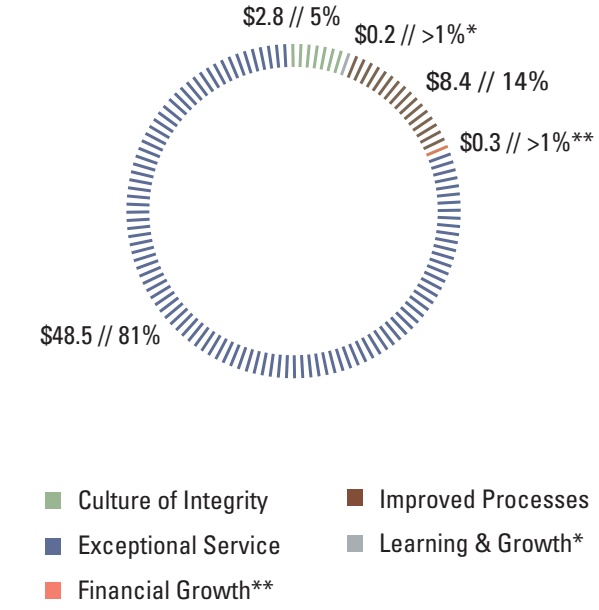
AFRH FY10 Revenue Sources:
{in millions of dollars}



Trends in AFRH – Net Costs by Strategic Goal: {in millions of dollars}



AFRH FY10 Overall Net Costs by Strategic Goal: {in millions of dollars}



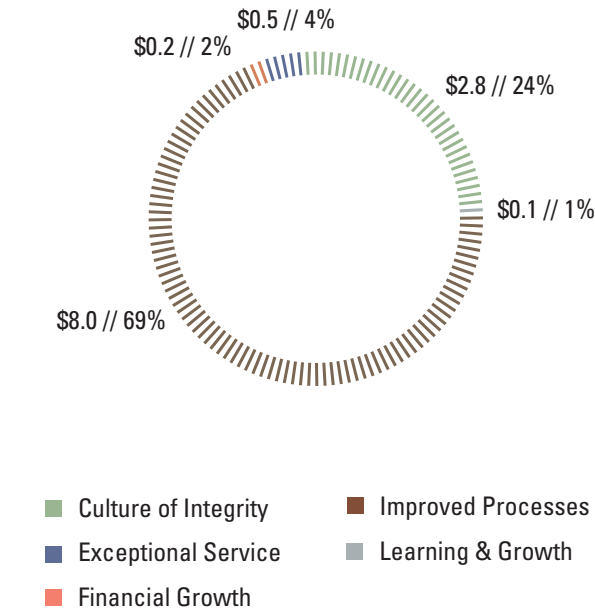
“I am the
Richest Man
in the world
and this is **my estate.**”
— William Wood (Army)

Expenditures: Prudent.

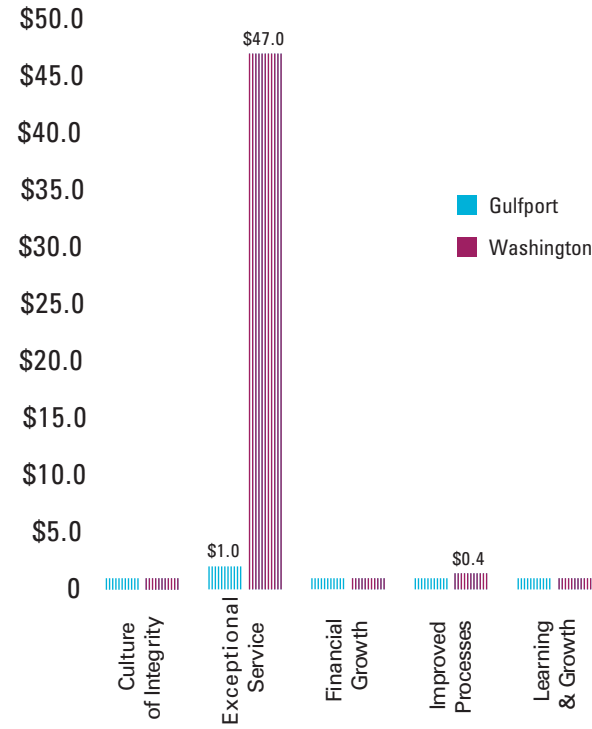
AFRH has gathered information on its spending by strategic goal for the past 2 years. AFRH has spent significant funds on the goal of Exceptional Service (supporting Healthcare and Improved

Housing). The largest other expenditures go to improving our Stewardship, staff and equipment improvements, as well as modernization.

AFRH FY10 Corporate Net Costs
by Strategic Goal: {in millions of dollars}



AFRH FY10 Campus Net Costs
by Strategic Goal: {in millions of dollars}



AFRH has envisioned a synergy of great efficiency and modern communities. At the forefront of our planning were some key questions: “What will the costs be?” and “How will they impact the Trust Fund?” So, AFRH engaged experts to analyze Fund solvency through 2020.

In FY10, this analysis was repeated under prevailing assumptions. We assessed expected cash flows and associated risks against revenue and costs for existing and planned activities. Based on the study, experts concluded the Trust Fund

will remain solvent using the standard assumptions for economic conditions during the forecast period.

Since standard assumptions may not be realized, sensitivity analysis on the major assumptions was performed including: cost inflation and a reduction in revenue from fines and forfeitures paid by active duty military personnel.

RESULTS: *AFRH Trust Fund remains solvent for two severe risk scenarios between FY10 through FY20.*

LONG RANGE FINANCIAL PLAN

The Facility of Foresight



Remembering our
fallen comrades at the
memorial bell.



Looking ahead: 2011 - 2020.

The greatest risk to the Trust Fund will occur in the transition years (2011 - 2013) as we stand-up operations in Gulfport and reduce our footprint in Washington. While we recognize negative growth will occur in these years as we expense the Scott Project, we expect positive growth to continue after 2013. In fact, many of the infrastructure and facility changes will have a long-term positive and direct impact on Trust Fund solvency.

We are also reviewing our fee structure to meet the growing demands in the transition years. As we move toward our vision of a vibrant, efficient operation at both communities, we continue to use funds wisely in the best interest of stakeholders.

Focused actions: healthcare.

We are working on multiple initiatives to reduce costs. Our primary efforts are Tricare coverage for all AFRH residents and an “Independent Living Plus” program to assist residents with Aging in Place. We believe both efforts will reduce Trust Fund costs up to \$4 million per year while enhancing resident care and wellbeing.

Added endeavors: contracts & energy.

AFRH completed a study by Stover to analyze contract costs, especially for food services. All contracts were reviewed, matched with Gulfport requirements, and FY11 marks the first year of efficiencies. AFRH-G is in the process of certification under LEED Silver energy efficiency. The AFRH-W construction goal is focused on LEED Silver. Under new administration mandates (Executive Order 13514), AFRH will undergo evaluation of its energy usage. Annual awards to service managers will continue for extra savings. Our energy-saving efforts, combined with a reduced AFRH-W footprint, will maximize the most significant savings.



"AFRH can provide
reasonable assurance
FMFIA objectives have been
achieved."

— Timothy C. Cox (COO)

LEGAL & REGULATORY COMPLIANCE

The Grasp of Fulfillment

Management Assurances.

We understand that we must ensure the effective and responsible use of the resources that have been entrusted to us. This is good stewardship and it is the right approach to maximizing progress. All of which will help us realize our goals.



FY10 Audit: No material weaknesses.

Statement of Assurance

This fiscal year, our Internal Control (IC) focused on risk management and mitigation – ensuring that our facilities were well-prepared to minimize risks to residents and staff. I am pleased to report AFRH compliance with all applicable requirements, as well as progress in expanded action planning to previously identified risk areas.

AFRH managers, along with our partners BPD and the National Finance Center (NFC), participate in all IC. We have assessed their effectiveness in accordance with the Federal Managers' Financial Integrity Act (FMFIA), (PL No. 97-255) Section 2 and OMB Circular A-123, Management's Responsibility for Internal Control.

Based on our analysis, AFRH can provide reasonable assurance that objectives have been achieved. Also no material weaknesses have been reported in our IC or financial reporting.

Given our comprehensive management controls, I am pleased to certify with reasonable assurance that:

- AFRH financial reporting is reliable. Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with GAAP. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition
- AFRH internal controls are effective for both the financial reporting through our partner BPD and for our campus operations through our corporate IC Board
- AFRH is in compliance with all applicable laws and regulations under FMFIA, FFMIA, and FISMA. Financial and business exchanges are executed in accordance with laws governing the use of budget authority, as well as laws and regulations that could have a direct and material effect on the financial statements, and
- AFRH performance reporting is reliable. Performance measures are properly recorded, processed and summarized to permit information preparation per criteria established by AFRH management.

Sincerely,

Timothy C. Cox
Chief Operating Officer (COO)

November 15, 2010

Risk Management.

Facility Level:

Throughout 2010, we managed and reported risks at Performance Improvement (PI) meetings. The Director of AFRH-W monitored the High Risks (resident falls, street light repairs, fire hydrant malfunctions) and worked on mitigating their effects. Repairs to 101 streetlights, 25 fire hydrants, and four main domestic underground water pipe breaks were all successfully made (meeting 100% of requirement).

Washington Master Plan

The National Defense Authorization Act for FY 2002 (as modified by Public Law 111-084, The National Defense Authorization Act for FY10) permitted AFRH via DoD to sell, lease, or otherwise dispose of underutilized buildings and property. So, AFRH launched its Washington Master Plan as the basis of its risk management strategy. The focus of this Plan is to preserve and improve the Home for the residents and the community, as well as to create additional revenue for the Trust Fund.

Given the changing economic conditions beginning in 2008, we had to shift our focus from revenue generation to improving infrastructure. We mothballed facilities within the 77 acre development zone and closed buildings not serving the current population. We initiated the shut down of the Power Plant, the remapping of utility grids, and the revitalization of key historic buildings.



Corporate Level:

- | | |
|---|------------------------|
| 1 | Washington Master Plan |
| 2 | The LRFP |
| 3 | Scott Project |



Gulfport Project Complete

New construction of the Gulfport facility was finished in FY10 within budget and on-schedule. The pedestrian walkway and Chapel restoration were additional projects and were almost complete by the close of FY10.

GSA turned over the facility keys to AFRH on July 28, 2010. On October 4, many former Gulfport residents returned to their home on the Mississippi Sound.

The LRFP

The infrastructure of AFRH is moving towards the Home’s evolving operational requirements. The savings at AFRH-W from maintaining less operational square footage – along with changing IT processes, energy generation, and an energy-efficient Gulfport facility – are part of our strategy. These initiatives, combined with compliance with Executive Orders on energy efficiencies, will move AFRH toward optimal operational effectiveness.

Gulfport Stand-up Cost Savings:

- No LTC costs for several years
- Reduced dining services & subsistence
- Minimal maintenance costs
- Lower regional cost of living

Risks in Transition Years:

- Achieving reduced population targets
- Rescaling contracts effectively
- Realizing savings from Aging in Place philosophy

Scott Project

The Trust Fund expenditures for the Scott Project of \$5.6 million in FY09 and \$70 million in FY10 will provide a strong Return on Investment (ROI). The budget forecast shows that AFRH-W operating costs will reduce from \$45.9 million in 2009 to \$38.3 million in 2013. Further, if left unchecked, the 2009 cost (inflated @ 2.1%) becomes \$49.9 million in 2013. This savings will provide an annual ROI of 29% (on the \$76 million construction investment) from new facilities and operating processes.

Cost reductions will reach 14% in FY11. Plus the Scott Project will generate savings in all major cost drivers by FY14.

The Scott Project empowers us to:

- Close the remote LaGarde Facility
- Relocate AL, MS, and LTC from LaGarde to Sheridan/Scott
- Reduce footprint by about 421,000 sq. ft.
- Position Operations for positive Trust Fund Growth
- Deploy parallel service models at AFRH-G & AFRH-W



Internal Controls:

Rigorous controls are integrated into our financial reporting system, via BPD and NFC. An AFRH Senior Assessment Team, established by the CFO, has maintained oversight of our IC program since 2006. Each manager on this Team reports controls through an annual survey. AFRH can provide qualified assurance that controls over financial reporting were operating effectively as of Sep 30, 2010.

Our IC categories (required by law):

- 1) Control Environment: organizational structure & culture
- 2) Risk Assessment: identifying factors that may hinder objectives
- 3) Control Activities: policies, procedures & mechanisms
- 4) Information & Communications: flow of information
- 5) Monitoring: periodic assessments

Federal Manager’s Financial Integrity Act (FMFIA):

This Act requires each agency to report the health and integrity of its financial program and related activities. It ensures that resources are consistent with the overall mission, that programs achieve intended results, and that both are free of waste, fraud, and mismanagement. Further, the agency head must see that laws and regulations are followed and that fiscal management complies with Federal standards. FMFIA sets requirements for internal controls and requests yearly evaluations of the control and financial systems to protect their integrity. AFRH performs these evaluations annually and is pleased to report no “material weaknesses” have been found in FY10.

Federal Financial Management Improvement Act (FFMIA):

FFMIA requires all agencies to provide reliable, consistent disclosure of data per GAAP. For FY10, AFRH is in substantial compliance. BPD-ARC established our accounting process, and they are also in compliance and exercise internal controls. Based on agency assessment and the audit opinion, AFRH is in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board, and the US Standard General Ledger (USSGL) at the transaction level.

AFRH is FFMIA compliant at the agency and auditor levels. This is achieved via:

- 1) Overall substantial compliance
- 2) System requirements
- 3) Accounting standards
- 4) USSGL at transaction level

Federal Information Security Management Act (FISMA):

FISMA requires a competence review of information security and privacy policies, procedures, and practices. One of its primary objectives is to ensure the effectiveness of information security controls. An IG inspection found that too many AFRH applications were running on outside sources, which were not FISMA compliant. Those cited included the email system and the medical record/business operations software.

“It’s great to
wake up
and feel the
excitement of the day.”

— John Miller (Air Force)

John stays quite active for a man of three score and 17 years. He serves as Outreach Chairman of DC’s Abraham Lincoln Group, America’s oldest Lincoln historical society. “We send out materials on Lincoln, honor patriots at monthly dinners, and coordinate with The Lincoln Cottage to spread his legacy.” Why? “I’m a Civil War buff and I’ve always admired him. Also my grandfather was in the first battle of Bull Run.” John wrote and directed a play, *Our American Cousin*, based on the actual events of Lincoln’s assassination. He also recites poems at “Poetry on the Green”,



volunteers with Toastmasters, and works with the Boy Scouts of America. “I like to see residents get out into the community and contribute. We have so much to offer.” John enjoys being involved in things he never had time for while working. “All my friends stay active, and I have scores of friends here.”

PROGRESS

New network security systems:

In FY09 we agreed to a new Memorandum of Understanding with Department of Interior (DOI) National Business Center (NBC) to provide FISMA compliant desktop support and hosting services consolidation for all IT. RESULT: successful transition and deployment at Washington. The Gulfport IT system is still in transition.

In FY10 OMB issued guidelines with new, outcome-focused metrics to advance the security posture of agencies. With operations now provided by NBC, our IT Department has access to many security monitoring tools through NBC’s hosted environment. NBC’s IT Division (ITD) provides Data Network Services as a part of their Infrastructure and Application Hosting Services. The NBC’s ITD Information Office Security Division provides a range of support to ensure that systems and networks are provisioned and managed in a secure manner to meet all government requirements.

An independent audit was performed on BPD’s financial management systems (i.e., the controls placed on the financial management systems). This assurance via Standards Number 70 (SAS70) validates the integrity of AFRH management controls and our compliance with Federal financial systems standards.

NBC’s support services include:

- Applying relevant updates or patches
- Configuring servers and user accounts securely
- Installing/operating firewalls & network monitoring tools
- Providing virus defense & incident response
- Offering periodic vulnerability assessments, and
- Ensuring a complete Network Interconnect Agreement

NOTE: Our next FISMA review will be in FY11.

Financial management systems:

AFRH uses financial systems from our partner BPD-ARC (Oracle financials 11i, Oracle Assets, PRISM and WebTA). ARC personnel operate and maintain the system, ensuring top-notch support. Plus, they provide value-added services that interface with Oracle Federal Financials (e-payroll, procurement, purchase card, e-travel, Federal investment, and IPAC transactions). Ultimately, ARC is responsible for the financial integrity and security of this system. However, payroll transactions are handled by NFC and they are integrated with the above-mentioned systems.





Compliance

With the National Defense Authorization Act of FY08 (PL 110-181), AFRH was required to secure and maintain accreditation by a nationally recognized civilian entity for every aspect of each facility of the Home (including medical and dental care, pharmacy, independent living, assisted living, and nursing care). AFRH maintains a national accreditation with CARF and must be inspected annually. In the years the accrediting entity does not inspect, the DoD IG assesses AFRH. In FY09, the DoD IG performed a comprehensive inspection on all aspects listed above, plus financial and contracting records, the Advisory Board, and the Resident Advisory Committee.

DoD IG: FY09

The DoD IG completed his first comprehensive inspection on all aspects of AFRH in Sep 2009. PL 110-181 eliminated the previous requirement for a triennial alternating military service IG inspection of AFRH. Due to the rebuild of AFRH-G following

Hurricane Katrina, this inspection was limited to the management and facilities associated with AFRH-W.

Report No. IE-2010-2 was forwarded to AFRH and to Congress in Feb 2010. In the section "What We Found", inspectors stated: "In general, we found AFRH to be well managed, and the residents as well as the staff pleased to be affiliated with ARFH (W)."

The IG presented AFRH with 14 findings and five recommendations. During FY10, five of those findings were remedied and closed. The remainder are on target to be closed in FY11 because they required policy-making. All five of the recommendations were implemented and also closed during FY10.

CARF-CCAC Accreditation (Valid 2008–2013):

CARF is the accrediting body for CCRCs and others in aging services. CARF helps ensure that retirement homes fulfill their promise of quality, lifetime care to seniors. AFRH achieved this accreditation in September 2008 for a 5-year period ending in 2013.

All CARF requirements will be implemented at AFRH-G and we will ensure CARF compliance for six months (April - September 2011). Then AFRH-G will be inspected for the first time in 2012.

CARF performed an inspection at AFRH (corporate and campus) from September 13-15, 2010. Preliminary results were positive, but written recommendations will be forthcoming.

CARF inspection highlights at AFRH:

- The staff demonstrates a strong sense of caring & family
- Fiscal responsibility throughout the organization is top-notch
- Wonderful leadership by Pam Young, Director of Nursing (DON)
- Strong policies/procedures, but implementation occurs in silos
- Need improved checks and balances to track outcomes
- Staff beyond leadership team need to better understand how to implement resident-centered care

Al Mori (Ombudsman) wishes Gulfport-bound residents a safe trip.



"If you don't
have a heart
you cannot
be a
geriatrician."

— Dr. Sissay Awoke (AFRH-W Medical Director)

Dr. Awoke has been an AFRH physician for 26 years. You could say it's personal. "I absolutely get attached to all the residents. These people are history books. Everybody is interesting to be honest – and they deserve our respect." He explained how service today has been tethered to focus on residents' personal needs. "The new Wellness Center is a great plan – and Aging in Place is wonderful! It includes everything: medical, social, physical, spiritual ...

everything a human needs." He recalled one patient who wore a silver cross on his neck. "I asked where he got it and he said, 'Ethiopia'. I'm from Ethiopia! So, it all comes full circle." Personal indeed. Dr. Awoke, who walks with a cane, says you see the whole spectrum of your own mortality here. "I tell my students, 'you have to love old people. If you have grandparents, this will be easy for you.'"



“It’s amazing
 • to see the
joy on their
faces
 when I play
 a favorite.”

– Billy White (Navy)



When he came to AFRH, Billy attended many resident events: cookouts, ice cream socials, poetry readings, and birthday celebrations. “And I’m thinking: they’ve got all this stuff ... but where is the music?!?”, he exclaimed. As a lifelong music-lover, he couldn’t stand the serenity. So he volunteered as campus DJ. “My family has been in the music business since I was a little-bitty son. In the 50s I grew up with lots of incredible music – so many great artists it’s unreal. I don’t care if it’s blues, gospel, classical, or jazz – if it’s good music I’m playing it.”



One of our youngest residents, Billy still knows what older folks love. “When I was crawling on the floor shooting marbles I was paying attention to what was on the radio. So when I pull up Sinatra, Martin, and Armstrong, people are shocked.” Billy believes music prolongs your life. And, when he calls “last song”, residents beg him to keep on playing.

PERFORMANCE

AFRH Strategy

High-priority Performance Goals

Performance Management

Human Capital

Performance Measures

Survey Results

Verification & Validation

STRATEGIC SAVVY

The Sway of Success

Planning propels us forward.

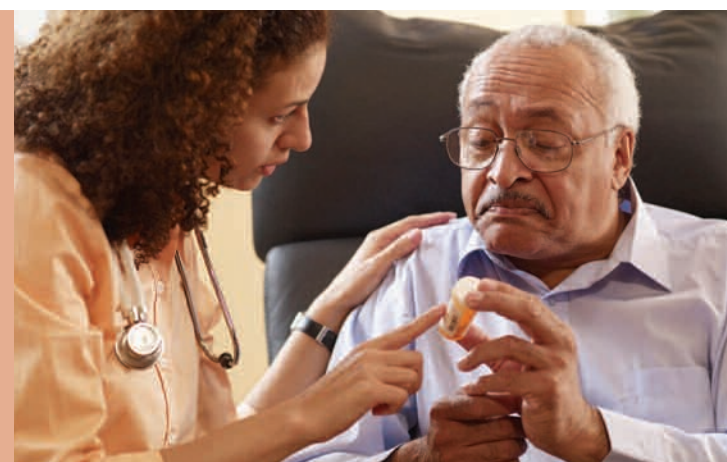
The great success AFRH has enjoyed stems directly from its sharp vision, unwavering mission, and its sound strategy. This strategic framework was originally outlined in 2002. However, it was later shaped by natural catastrophic and economic events from 2005-2009.

Through it all, the AFRH strategy has propelled this agency along a path of achievement. Each individual has played a part with an understanding of our strategy – and each staff member’s performance has, in turn, been linked back to our Strategic Plan.

HIGH-PRIORITY PERFORMANCE GOALS:

Following OMB guidance, AFRH has effectively corralled its resources to resolve “significant challenges” in FY10. Indeed, over the past few years we have demonstrated steady progress. Our High-priority Performance Goals stem directly from the AFRH strategy, ultimately strengthening the integrity of our overall Strategic Plan.

Today, AFRH has two years of data on how resources are being spent by Strategic Goal. Overall, the Goal of Exceptional Service to the residents receives the most resources – and it is in alignment with the Performance Goal of Resident Wellbeing.



Goal 1: Healthcare (Resident Wellbeing)

Ensure exceptional residential care and extensive support.

MILESTONE MET: Aging in Place launched.

As part of the health and wellness philosophy of aging, AFRH searched for a way to have residents live independently and comfortably, for as long as possible, while remaining an active member of the community.

In January, a total of 10 IL residents were placed in the ILP pilot program under the supervision of a home healthcare nurse and two home healthcare aides.

Advances.

ILP now has:

- 46 residents
- 2 nurses
- 2 aides

Residents are now being assisted with Activities of Daily Living (ADL) including medication assistance, light house-keeping, and personal grooming.

PROGRESS

- All AFRH-W residents on the Gulfport waiting list will have household goods shipped two days prior and receive transportation on October 25
- 110 AFRH-W residents are taking advantage of this benefit
- New Fact Sheet 21 presents ways residents are included in overall AFRH decision-making

PLANNING CYCLE



STRATEGIC PLAN



LONG-RANGE FINANCIAL PLAN

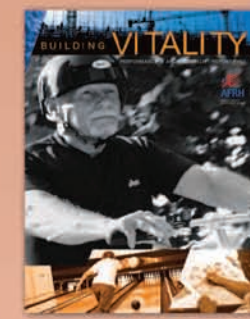


AFRH BUSINESS PLANS + ACTION PLANS



INDIVIDUAL PERFORMANCE

INTERNAL STRATEGY



BUDGET SUBMIT FY11



AFRH PERFORMANCE MANAGEMENT PROGRAM



HUMAN CAPITAL STRATEGIC PLAN 2009 - 2014

TO CONGRESS



TESTIMONY



BUDGET



PAR

AFRH strategic cycle: key for staff training.



AFRH-G Fast Facts:

- Built in 1,027 days
- 44,000 yards concrete



Goal 2: Housing for Veterans a. Gulfport

Add residents to a fully-functional facility in FY11.

MILESTONE MET: AFRH-G finished & occupied.

The demolition of the damaged AFRH-G and the construction of a new residence came in on-time and within budget - thanks to careful management by GSA.

PROGRESS

- AFRH-W conducted monthly focus groups on the Gulfport Stand-up & Scott Project to answer questions, allay concerns, and prepare residents for change.
- AFRH-W staff worked diligently and efficiently in both communities coaching, mentoring, developing contracts, packing, and moving Gulfport-bound residents.



Advances:

Yates Construction (under the management of Jacobs Engineering, contracted by GSA), completed its many assignments in record time, in a style befitting the Gulf Coast and the former military who will occupy it.

Update:

Right after the close of FY10, returning Gulfport residents moved in to their Mississippi Home and began their new lives. Final preparations for the official grand opening on November 9, "Glory on the Gulf", are being made.

Gulfport Quarters:

Resident Class	IL	AL	MS	LTC	Total
Available Rooms	474	60	24	24	582

Goal 2: Housing for Veterans b. Washington

Right-size and give AFRH-Washington a facelift by 2013.



MILESTONE MET: A design has emerged.

AFRH-W modernization is underway. The new "Commons" will replace the aging Scott Building with a new structure featuring more amenities with less maintenance. This will help our Washington facility keep pace with the new Gulfport community and bring greater health and wellness to residents. All plans are rooted in the Aging in Place philosophy and are financed from the AFRH Trust Fund. Under GSA's project management, the Scott Project will produce:

Advances:

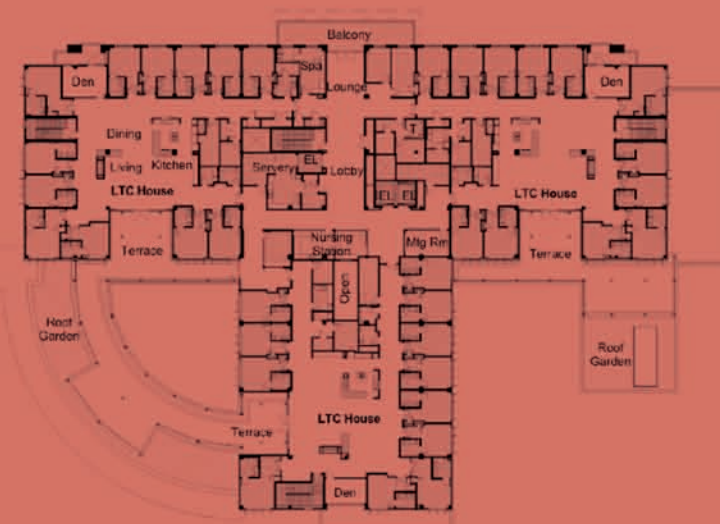
Bridging architects engaged by GSA worked steadily to create exactly what the staff and residents believe will yield an ideal environment. The new "Commons" and Healthcare building was carefully planned to maximize the historic setting and meet all requirements for Aging in Place.

Update:

Great progress was made on preparations for the key transition years at AFRH-W (from demolition of the existing Scott Building to completion of a new structure).

Washington Quarters:

Resident Class	IL	AL	MS	LTC	Total
Available Rooms	450	58	24	36	568



PROGRESS

- Design to relocate AFRH IT hub completed June 2010
- Design & Contractor awards completed Q4 FY10
- HVAC chillers & cooling towers to move behind Sheridan residence
- Plans finalized & on-schedule to move services & residents

AFRH-G STAND-UP TIMELINE

Jan 2007	Memorandum of Agreement Signed
Mar 2007	Engineering Services & CM (a) Services Awarded
June 2007	Prime Contract Solicited (Design/Build Procurement (RFP/RFQ)
Sep 2007	Prime Contract Awarded (Main Building: Yates Construction)
Oct 2007	Old Damaged Building Imploded
Jan 2008	Construction Began / Notice To Proceed
Oct 2008	Design Completed
July 28, 2010	Substantial Completion (Post-Award Construction)
Oct 4, 2010	Occupancy Commenced
Nov 2010	Project Close-out Phase to Begin
Dec 2011	Full Occupancy Projection

SCOTT PROJECT TIMELINE

Aug 2008	GSA Memorandum of Agreement Signed
Mar 2009	Scott Project Feasibility Study Conducted
June 2009 - Apr 2013	Construction Manager (CM) Awarded
June 2009 - May 2010	Design Bridging (A/E) Awarded
Feb 2011	Design/Build to be Awarded
Apr 2011	Demolition of Scott Building
Sep 2010 - Dec 2012	Construction of Scott Building
Jan 2013	Residents Move into new "Commons"
Jan 2011	Renovate Sheridan 2nd and 3rd Floors for AL
Feb 2013	Residents Move into Sheridan Main Floor

MILESTONE MET:

High fiduciary standards upheld.

In FY10, we examined and fine-tuned Trust Fund Solvency, Internal Controls, Risk Management, the Long-Range Financial Plan, and Accreditation.

Also, we made a concerted effort to focus on staff development. Training participation increased and Aging in Place training was launched. The first staff focus group was held to answer questions about our modernization projects.

Advances:

- CARF inspection results & recommendations are positive
- AFRH is fully accredited & in good standing
- We earned our 6th consecutive unqualified audit opinion
- The Trust Fund balance is at an all-time high
- New Commons bridging design is complete

Goal 3: Stewardship (Corporate Effectiveness)

Maintain overall vitality via more efficient management.





"I love my job.
It's my little paradise
in the middle of the
city."

– Matt Kayson
(AFRH Golf Course Manager
& PGA Golf Pro)



We asked Matt what he likes most about managing the AFRH-W golf course. "The whole atmosphere. It's a fun golf course with lots of character. And there are a few characters all around here," he chuckled. Matt is the caretaker of our 9-hole course, plus he holds a small golf clinic for residents twice a month. When asked if he sees improvement, Matt chipped in: "Of course!" He explained how it's a short course with no sand bunkers, which makes it easier for everyone. Matt has seen his share of war heroes, as well as Congressional officials, in the past seven years. "A few congressmen are members. They're anonymous in their golf shirts ... they just want to get away from the Capitol. And President Clinton came to play golf with WWII veteran residents and staff." Yet, Matt drove home the point that this isn't a country club. "It's blue collar," he said.



SPENDING PER STRATEGIC GOAL

The Guidance of Assets

AFRH actively tracks how it spends money per Strategic Goal. This ensures that we are directing the bulk of our resources to fulfill our mission to provide: "...a premier retirement community with exceptional residential care and extensive support services." Two years of data are now available since we began this analysis, as illustrated in the MDA section. AFRH Corporate is more focused on Improved Processes. And Campus Operations is centered on Exceptional Service.

Exceptional Service & Improved Processes:

98% of budget (\$42 million)

Culture of Integrity, Financial Growth, and Learning & Growth:

2% of budget (\$2 million):



Laura Fogarty (Chief,
Recreational Services)
plans the next
resident daytrip.



HUMAN CAPITAL:

Our Strategic Human Capital Plan (SHCP) for 2009-2014 was updated in February 2010. It identifies new strategies to address key challenges – which ultimately enhances our overarching Strategic Goals. The Plan stresses the importance of mission accomplishment by dedicated, compassionate employees.

PROGRESS

- For the first time in AFRH history our Mission, Vision, Goals, Business Plans, and Performance Management Program are in strategic alignment
- Our human capital targets stem directly from gaps, challenges, and priority areas highlighted in the AFRH Strategic and Business Plans

2010 Targets:

- Reopen & staff the new AFRH-Gulfport
- Implement succession management strategies
- Employ leadership development strategies
- Ensure our system IDs high & low performers
- Obtain CARF-CCAC accreditation renewal
- Advance “needs-based” employee training
- Promote professional development for staff
- Recruit & hire suitable staff to fulfill our Mission

PERFORMANCE MANAGEMENT

The Demonstration of Deeds

Prior to FY10, we conducted a pilot performance management program for four years – linking strategy to goals via extensive business and performance planning. Now it has been one full year since we fully instituted the AFRH Performance Management Program (PMP). We are pleased to report smooth sailing.

The FY10 performance cycle started Jan 1 with a six-month mandatory progress review.

RESULTS: 100% received performance reviews. Management focused on training staff.

RESULTS: Well over the 80% measure of all staff (including Gulfport) was successfully trained.

The Employee Satisfaction Survey was administered in Sep 10.

CONCLUSION: most employees agree working at AFRH is “very good” or “good”. (Actual: 68% – slightly below our 70% target.)

ANALYSIS: Results of the Sep 2009 OPM audit yielded high marks in nearly all aspects of human resources. Yet, OPM noted and advised fixes for the shortened rating period in FY09 (due to organizational disruptions in supervision). Further, OPM suggested a limited definition of the succession planning process. Both areas were rectified.

A recent addition to the PMP is the requirement to inform all staff of our strategic planning initiatives – and how their work relates to it.



Our human capital goals align with the five human capital systems in OPM's "Human Capital Assessment and Accountability Framework" (HCAAF). Each human capital goal supports the AFRH Strategic Goals as noted.

HUMAN CAPITAL GOALS

The Development of Talent

GOAL 1: Strategic alignment

Promote Mission-focused human capital planning.

YEARLY PROGRESS:

- Completed workforce analyses & planning, human capital goals, strategies, tactics, milestones & measures
- Designed all Goals and Strategies to link AFRH staff & mission

STRATEGIC GOAL SUPPORT:

- Improved Processes
- Financial Growth
- Exceptional Service

GOAL 2: Leadership & knowledge management

Forge a leadership culture for organizational excellence.

YEARLY PROGRESS:

- Surveyed positive employee satisfaction with leadership, communication, and workforce cultural mix
- Improved information sharing, motivation, and commitment from our managers

STRATEGIC GOAL SUPPORT:

- Culture of Integrity
- Exceptional Service



GOAL 3: Results-driven performance culture

Ensure a widespread culture of service excellence.

YEARLY PROGRESS:

- Developed "Employee Checklist" to ensure basic data is given to new hires
- Achieved timely ratings for the 2010-11 AFRH Performance Cycle
- Adopted annual Training Needs Assessment (due to limited training funds)

STRATEGIC GOAL SUPPORT:

- Culture of Integrity
- Exceptional Service

GOAL 5: Accountability

Promote human capital accountability.

YEARLY PROGRESS:

- Drafted Accountability Program:
- Will track / report goals, achievements & improvements
- To be finalized after Leadership Succession Management Plan

STRATEGIC GOAL SUPPORT:

- Culture of Integrity
- Exceptional Service



GOAL 4: Talent management

Recruit & develop a workforce committed to Veterans.

YEARLY PROGRESS:

- Tested the resolve of our workforce during the Gulfport reopening

STRATEGIC GOAL SUPPORT:

- Culture of Integrity
- Exceptional Service
- Learning & Growth

AFRH IG Challenge Results

Management Challenges

FY10 RESULTS

Each year, we meet the majority of performance measures mapped out in our strategy. FY10 was no exception. We were quite successful at reaching established measures and advancing excellence at AFRH.

Moreover, we effectively responded to the IG’s challenges and made headway in every indicated area. We are pleased to demonstrate the results in the charts below.

Initiate Gulfport Stand-up	- Gulfport facility turned over to AFRH July 2010 - Former Gulfport residents returned as the first occupants in the new building
Implement, manage & monitor Washington Scott Project	- Project on time and within budget - Designs from the conceptual architect were completed and approved by historical and local DC planning councils - Transition period milestones are set and work is underway - Aging in Place pilot program and staff training were launched
Educate, train & promote Wellness to staff & residents	- Informational brochure was published - Focus groups generated questions and answers about improvements and AFRH philosophy

PERFORMANCE MEASURES

The Advance of Excellence



Performance Challenges

FY10 RESULTS

Deploy Human Capital Management Plan	- SHCP for FY09-14 was distributed in February 2010
Execute Human Capital Succession Plan	- Draft Succession Plan was completed
Define Washington & Gulfport Staffing Models	- Much work was done on staffing models to reach parity between the 2 campuses - Hiring at Gulfport began in March 2010 and is ongoing
Increase visibility of military heritage	- Hall of Honors was opened at AFRH-G with military artifacts - AFRH-W installed an anchor & military-themed tree carvings
Adhere to timelines & participate in annual mandatory training	- We met training Goal of 80+ % in 4 mandatory training requirements
Manage operating costs & expenditures	- Managers revamped all contracts for Washington and the emerging requirements in Gulfport - Contracts set to yield 20% savings in 4 years

AFRH Analysis of Performance Goals

Relationship to AFRH Strategic Goals	Goals & Objectives	Baseline Performance Measure FY07 Target	FY10 ACTUAL
Goal: HEALTHCARE (Resident Wellbeing)			
ES IP	Accreditation	In good standing	- DoD IG completed FY09 - CARF-CCAC FY10 inspection with recommendations - CARF Accreditation through 2013 for AFRH-W
ES IP	% of resident satisfaction	70%	75%
ES IP	% of resident assessment plans	95%	NA. AFRH determined to follow a different course for resident assessment plans to be implemented in FY11
Goal : HOUSING FOR VETERANS			
GULFPORT			
FG ES IP	Construction	Within budget and on-schedule	- Construction completed on-time - Opened for occupancy
FG ES IP	Operational plans	Plan	On Plan
WASHINGTON			
FG ES IP	Construction	Within budget and on-schedule	On Plan
FG ES IP	Operational plans	Plan	On Plan
Goal : STEWARDSHIP (Corporate Effectiveness)			
FG	Trust Fund solvency	Even balance of resources vs. obligations	Long Range Financial Plan reported solvency through 2020
FG IP	Accuracy of financial reporting	Unqualified audit opinion	Unqualified audit opinion
LG	Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	- AFRH-G: 100% EEO, 100% Ethics, 100% Performance Management - AFRH-W: 80% Safety, 80% EEO, 93% Ethics, 85% Performance Management, 85% IT Security Awareness (304 employees total)
CI	% of Employee Climate Survey responses of "Very Good" or "Good"	70%	Only 68% of all responses were in the top 2 positive choices

AFRH Strategic Goals

- FG - Financial Growth
- CI - Culture of Integrity
- IP - Improved Processes
- ES - Exceptional Service
- LG - Learning & Growth

Resident Satisfaction Gauges:

- Formal Measures in Strategic Goals & Performance Goals
- Informal Queries on Resident Activities (by Resident Services)
- Meal Satisfaction Survey in LaGarde Dining (for LTC & AL)
- Biennial Dining Survey (for all Other Food Services)
- Qualitative Resident Interviews by CARF, DoD IG & Staff

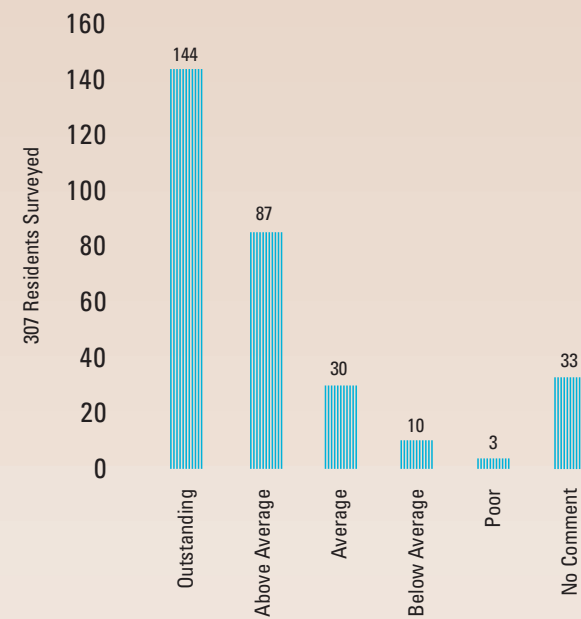
Customer Service ("Outstanding" or "Above Average")	FY10 Result	Target
	75%	70%

SURVEY RESULTS

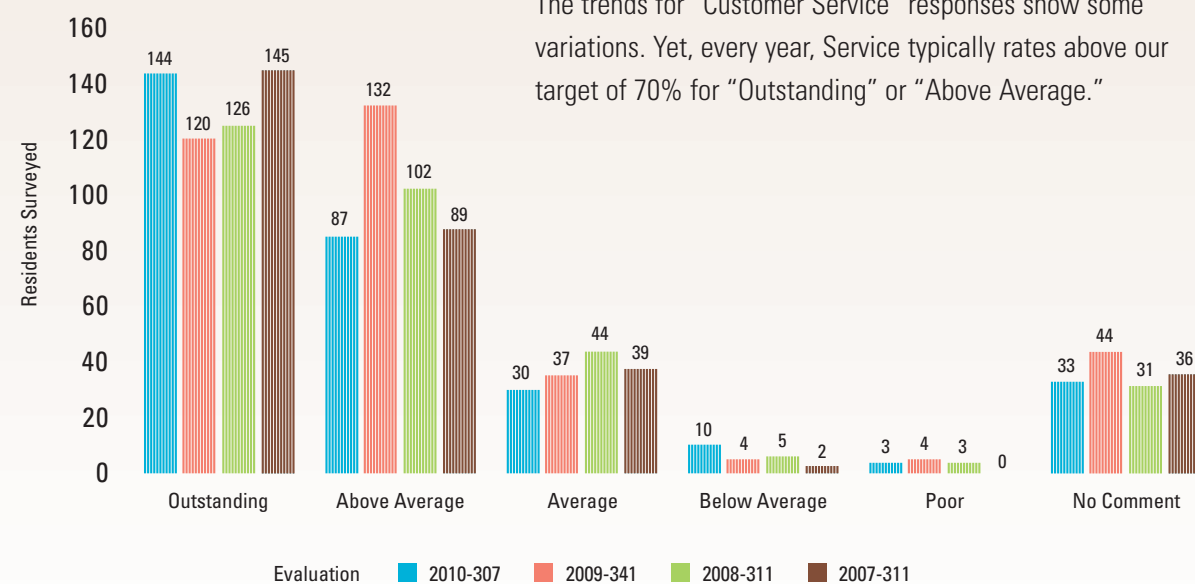
The Say of Residents



Customer Service Evaluation - July 2010:

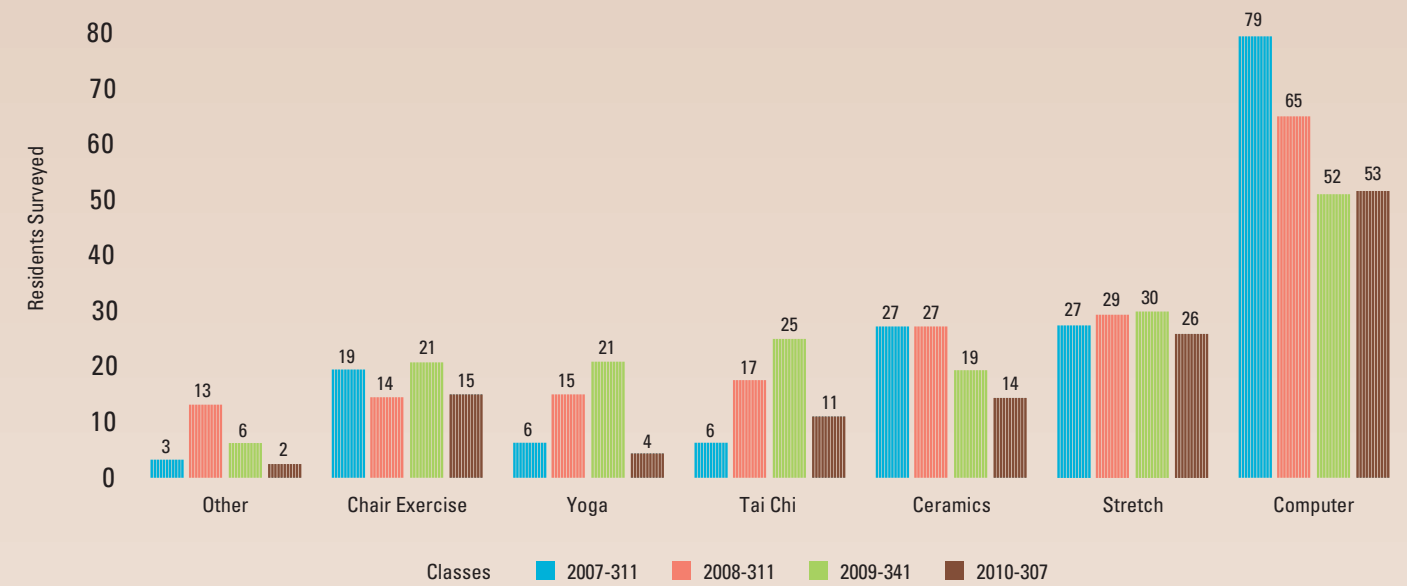


Comparative Customer Service Evaluation 2007-2010:

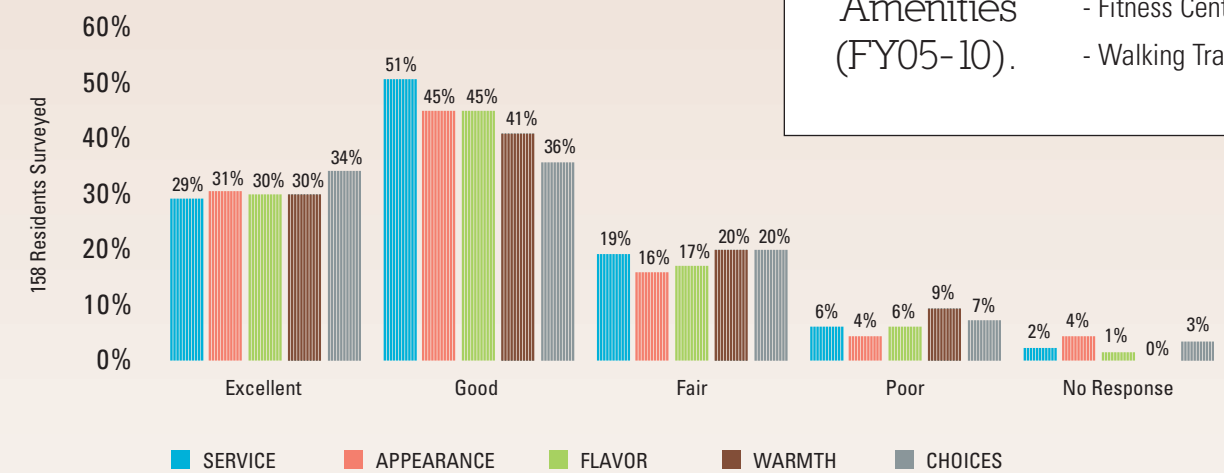


The trends for "Customer Service" responses show some variations. Yet, every year, Service typically rates above our target of 70% for "Outstanding" or "Above Average."

Comparative Class Survey 2007-2010:



LaGarde Meal Survey FY10:



Highest Rated Amenities (FY05-10).

- Facilities:**
- Library
 - Fitness Center
 - Walking Trails

- Activities:**
- Ice Cream Socials
 - July 4 Celebrations
 - Day Trips

LaGarde Meal Satisfaction (Overall Service = "Excellent" or "Good")	Result	Target
	80%	70%

While we have survey data from 2007-2009, the rating categories were altered this year from "Greatly Exceeds" and "Exceeds" to "Excellent" and "Good". Past years had lower participation of 94 (2007), 75 (2008) and 81 (2009) resident respondents. This year, we saw a marked increase of respondents (158) eating in Nursing Units, via LaGarde Dining Room Table Service and through the Kiosk Line. Thus, we believe we now have a true picture of what residents think about the food.

RESULTS:

- Major progress in all categories
- Most residents favor the new menu



"I shot a 39 to win the tournament. Not bad for a Lebanese hillbilly."

– Mike Haddad (Army)

This soldier has seen some wicked shots in life. In 1943 Mike went to the front lines in Kissing, Germany six weeks into the service. That experience with guns led to working with MPs and weapons for the Air Force. Later he married, had four kids in Florida, and took a hankering to drivers over rifles. "I play golf every day for exercise. In the tournament, I won everything: closest to the pin, low score,

and best score," said 89-year-old Mike. "You gotta keep exercising. I was involved in sports most of my life." A widower, Mike has lived at AFRH 10 years. "I love it here. They're great to me. This place has everything I want." He also travels to Florida four to five months in the winter to visit his kids. "Listen, the Lord is good to me and I hand everything to Him. And that's my life!"



VERIFICATION & VALIDATION

The Veracity of Data

Federal agencies are required to certify completeness and reliability of performance data.⁵ That data must be verified and validated – so AFRH has several means of external, independent reviews (E.g., OPM, BPD, CARF-CCAC, and the DoD IG).

SUCCESS MEASURES:

Business Measures:

- Solvency of the Trust Fund
- Stability in Resident Occupancy
- Cost Savings via Initiatives
- Reductions in Land & Space ("right-sizing")
- Donations & Volunteering

Customer Satisfaction:

- Improved Survey Results
- Advances in Health & Wellness
- Enhancements to Facilities
- Supplemental Services

Employee Satisfaction:

- Boost in Performance Evaluations
- Positive Staff Climate Survey Results
- Updated Policies & Directives in FY10
- Policy statements = 5
- Notices = 11
- Directives = 11

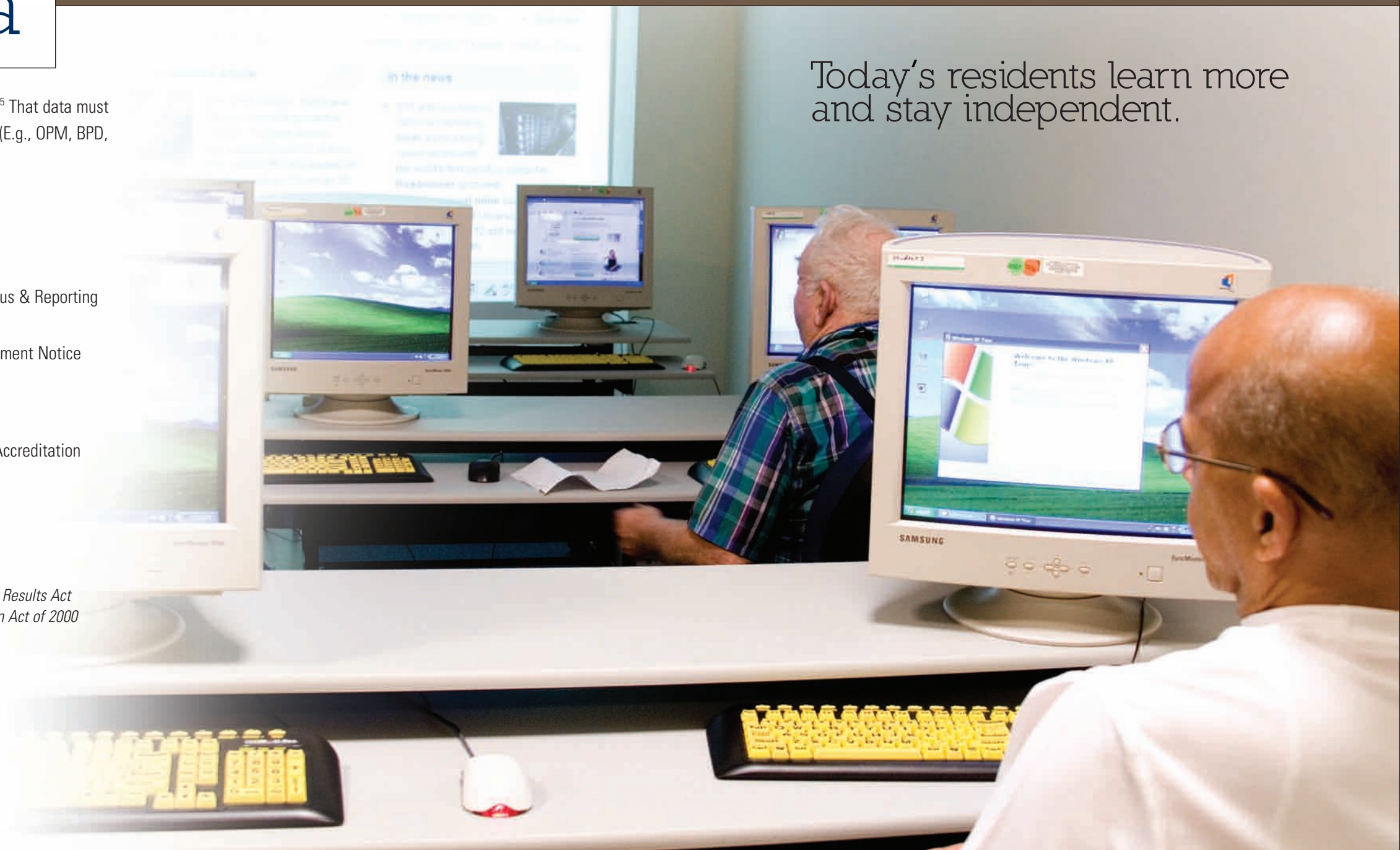
Financial Data:

- Annual Reviews of Fiscal Status & Reporting (BPD & external auditor)
- Published a Financial Management Notice and COTR Manual

External Benchmarks:

- Maintenance of CARF-CCAC Accreditation
- DoD IG in Sep 2009
- CARF Inspection in Sep 2010

⁵Per the Government Performance and Results Act of 1993 and the Reports Consolidation Act of 2000



“Keep smiling.
Everyone will
wonder
what you have
been up to.”

– Victoria Landon (Army)



Victoria is “a people person.” She’s traveled and worked all around the world: in Guam, Tokyo, Europe, Iceland, Scotland ... you name it. She worked two jobs in college earning a degree in art and another in anthropology. Plus, she spent three years in a Master’s divinity program. “Soon, I’m going on a humanitarian mission, taking 7,000 pairs of eyeglasses to the needy in Cameroon, West Africa. On the return trip we’re spending a week in France.” Besides all that this former Caribbean import-export rep enjoys resident bus tours, shopping sprees, campus walks, and even wants to take up golf again. Maybe her adventurous spirit and outgoing nature is why Victoria has made more friends at AFRH than she has in her entire lifetime. “What I like about this place is: it’s a shelter but it’s not confining. You can come and go as you please.” In short, life is grand. “I tell people: I’m well-educated, well-traveled, and hopefully well-read.”

FINANCIAL

Message from DCOO / CFO

Financial Overview

Independent Auditor’s Report

Financial Statements

Notes to the Financial Statements

Required Supplementary Information

“Our Statements showcase management’s great success in maintaining effective stewardship, advancing fiscal integrity, and fulfilling the AFRH Mission.”

– Steven McManus, DCOO / CFO

MESSAGE FROM THE DCOO / CFO

The Direction of Resources

I am pleased to present the AFRH financial results for FY10. This year we earned our 6th consecutive unqualified audit opinion from external auditors. In fact, our Statements have had no material weaknesses since FY05, thanks to our BPD partnership. Also, the AFRH Trust Fund balance reached an all-time high of \$186 million – a remarkable achievement of which we are proud.

Further, we demonstrated noteworthy progress on our Performance Goals in FY10. In February we launched our pilot ILP program, fulfilling our vision for a health and wellness philosophy of aging. In July GSA turned over the keys to the new Gulfport home and occupancy began in October. And all year long we saw our ambitious plans to modernize AFRH-W leap forward.

THE BOLSTERING OF CONTRACTS

This past year we focused diligently to make AFRH operations even more cost-effective. Our service chiefs worked tirelessly to modify existing food service, maintenance, and security contracts in Washington for the future rightsizing of the population. These new vehicles will serve us well in our Washington Transition

Period and prepare us for a new beginning when the Commons is completed. Plus, we used those smart ideas to draft contracts for Gulfport.

THE VITALITY OF RENEWAL

The Scott Project to modernize our historic AFRH-W site moved from ideas to actions. At the end of FY09 and through FY10, bridging architects worked closely with staff to bring Aging in Place to life. The designers of the new “Commons” explored and designed new ways to help daily activities revolve around the residents’ lives. The goal: to embody “small house” concepts for LTC and MS – replacing the institutional style of double-loaded corridors with a warm, home-like atmosphere.

Modern construction will replace the outdated Scott dormitory (built in the 1950s). It will meet LEED certification and be in compliance with recent Executive Orders to reduce energy, water, and fuel intensity at Federal agencies. To achieve these objectives, AFRH has initiated plans to close its steam plant and mothball facilities as well as close, sell, or lease the LaGarde healthcare facility by 2013 once it is vacated.

Transition Period actions entail moving key utility and equipment from the Scott Building. The HVAC chillers are being moved into a renovated space behind Sheridan. Also, the IT hub will be relocated to the ground floor of the Sherman. The design and construction contracts are complete and work has already begun. Interim dining facilities are designed for the Sherman Building main floor. And a passageway is now under construction for safe travel from Sheridan in inclement weather.

The Scott Project for centralized care and amenities will boost customer service. Plus, it will yield far-reaching economies, efficiencies, and tangible gains. It will:

- Provide about 150,000 sq. ft. of new program space
- Reduce roughly 421,000 sq. ft. requiring maintenance
- Eliminate resident transport costs (\$144,000 annually)
- Offer all residents living space that is newly renovated
- Co-locate AL residents near their comrades in IL
- Afford us to remodel the resident Bowling Center
- Move Facility Maintenance right next to the residents
- Upgrade the IT and phone system for the entire facility
- Stand-up the Sheridan on its own HVAC system
- Initiate steps to close the Power Plant

THE EMPOWERMENT OF RESIDENTS

Our goal is to totally transform our operational model to promote Aging in Place. A truly modern AFRH will reflect the needs of today’s residents – as well as those of current active duty who may need our care tomorrow. So, our Vitality Plans are in place to assess the daily living activities of residents and help them maintain independence. With our pilot ILP program going from 0 to 46 residents in one year, we’re ready to advance this key component of Aging in Place in FY11.

THE PLEDGE OF COMMUNICATION

This year, we spent more time than ever talking with, and really listening to, our residents. In Focus Groups, we walked them through the concepts, plans, and implementation of the move to Gulfport. Plus, we held many Focus Groups on the Scott Project to help our residents better understand and offer input on the new Commons, AL relocation to renovated Sheridan space, services in transition years, LaGarde’s closing in 2013,

and our chiller and IT Hub relocation from Scott. The residents’ positive feedback will help us minimize their discomfort during these necessary changes in the transition years.

In the end, 2010 was a year of great progress for everyone at AFRH. I applaud our hardworking staff members who worked tirelessly to make FY10 our most successful year ever. And I salute our residents, who have inspired us to care more, strive more, and deliver more to every defender of liberty in America and beyond.



Sincerely,

Steven G. McManus

Steven G. McManus
Deputy Chief Operating Officer /
Chief Financial Officer

November 15, 2010



FY09 winner Chuck Dickerson (Chief, AFRH-W Resident Services) passes the "CFO Stretch Award" to FY10 winner Justin Seffens (Chief, AFRH-W Campus Operations), whose savings exceeded \$1 million.

FISCAL OVERVIEW

The Feat of Financing

AFRH consistently produces accurate and timely financial information. In turn, management uses that data to drive decision-making and produce results in key operational areas. Our sixth consecutive unqualified audit, plus no material weaknesses on our internal controls, equaled a solid victory. Beyond these achievements, management continues to evaluate key findings and risk determinations uncovered in our internal control assessments. A recent forecast through 2020, based on risk analysis of the AFRH Trust Fund, states that the Trust Fund is indeed solvent.

FINANCIAL STATEMENTS

We are also pleased to present our Financial Statements for FY10 on the following pages after the Audit Letters. These Statements should be read with the understanding they are for a component of the US Government, a sovereign entity. In a public-to-public partnership, BPD ARC has administered all of our FY10 financial management activities including:

- Accounting - Purchasing
- Budget - Travel
- Payments

The NFC, in conjunction with BPD's Oracle platform, processed our payroll and time/attendance data entry transactions. These operations were managed under mutual agreements with the Department of Treasury and Agriculture. AFRH relies on information received from BPD and NFC (plus audits and reviews) to execute its management controls.



AFRH Trust Fund: Solvent

FY10 AUDIT

6th Annual Unqualified Opinion



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Armed Forces Retirement Home
Washington, D.C.

We have audited the accompanying balance sheet of the Armed Forces Retirement Home (AFRH) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of AFRH's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AFRH as of September 30, 2010 and 2009 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04 as amended, we have also issued reports dated November 12, 2010 on our consideration of the AFRH internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The AFRH's Management's Discussion & Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with AFRH officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
November 12, 2010

LARGO
1101 MERCANTILE LANE, SUITE 122
LARGO, MD 20774
(240) 492-1400 • FAX: (301) 773-2090
mail@brownco-cpas.com

RICHMOND
1504 SANTA ROSA ROAD, SUITE 107
RICHMOND, VA 23229
(804) 288-2006 • FAX: (804) 288-2233
tdavis@brownco-cpas.com



BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Armed Forces Retirement Home
Washington, D.C.

We have audited the financial statements of the Armed Forces Retirement Home (AFRH) as of and for the year ended September 30, 2010 and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the AFRH's internal control over financial reporting by obtaining an understanding of the AFRH's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness or significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04 as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland
November 12, 2010

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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

Armed Forces Retirement Home
Washington, D.C.

We have audited the financial statements of the Armed Forces Retirement Home (AFRH) as of and for the year ended September 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

The management of the AFRH is responsible for complying with laws and regulations applicable to the AFRH. As part of obtaining reasonable assurance about whether the AFRH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04 as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the AFRH.

The results of our tests of compliance disclosed no reportable instances of noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04 as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland
November 12, 2010

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RICHMOND
1504 SANTA ROSA ROAD, SUITE 107
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ARMED FORCES RETIREMENT HOME
BALANCE SHEET AS OF SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$13,824,429	\$76,282,883
Investments (Note 3)	183,736,984	176,358,831
Accounts Receivable (Note 4)	2,669,387	2,941,339
Total Intragovernmental	200,230,800	255,583,053
Accounts Receivable, Net (Note 4)	473,055	658,004
Property, Equipment, and Software, Net (Note 5)	278,228,715	221,104,881
Total Assets	\$478,932,570	\$477,345,938
Liabilities:		
Intragovernmental		
Accounts Payable	\$67,467	\$33,044
Other (Note 8)	2,180,671	2,133,577
Total Intragovernmental	2,248,138	2,166,621
Accounts Payable	3,599,622	3,397,200
Federal Employee and Veterans’ Benefits (Note 6,7)	8,888,145	8,886,860
Other (Note 8)	2,040,679	1,878,722
Total Liabilities	\$16,776,584	\$16,329,453
Net Position:		
Cumulative Results of Operations - Earmarked Funds (Note 10)	\$462,155,986	\$461,016,485
Total Net Position	\$462,155,986	\$461,016,485
Total Liabilities and Net Position	\$478,932,570	\$477,345,938

The accompanying notes are an integral part of these financial statements.

ARMED FORCES RETIREMENT HOME
STATEMENT OF NET COST FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Program Costs: (Note 10)		
Program: Culture of Integrity		
Gross Costs	\$2,872,565	\$1,621,341
Less: Earned Revenue	(688,944)	(440,821)
Net Program Cost	\$2,183,621	\$1,180,520
Program: Exceptional Service		
Gross Costs	\$48,948,516	\$51,218,520
Less: Earned Revenue	(11,739,609)	(13,925,628)
Net Program Costs	\$37,208,907	\$37,292,892
Program: Financial Growth		
Gross Costs	\$181,425	\$121,905
Less: Earned Revenue	(43,512)	(33,144)
Net Program Costs	\$137,913	\$88,761
Program: Improved Processes		
Gross Costs	\$8,321,369	\$7,808,036
Less: Earned Revenue	(1,995,762)	(2,122,900)
Net Program Costs	\$6,325,607	\$5,685,136
Program: Learning and Growth		
Gross Costs	\$151,188	\$182,858
Less: Earned Revenue	(36,260)	(49,717)
Net Program Costs	\$114,928	\$133,141
Net Cost of Operations	\$45,970,976	\$44,380,450

The accompanying notes are an integral part of these financial statements.

ARMED FORCES RETIREMENT HOME
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Cumulative Results of Operations:		
Beginning Balances	\$461,016,485	\$454,928,547
Budgetary Financing Sources:		
Nonexchange Revenue	45,253,554	48,017,967
Donations and Forfeitures of Cash and Cash Equivalents	53,190	937,347
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note12)	1,803,733	1,513,074
Total Financing Sources	47,110,477	50,468,388
Net Cost of Operations	(45,970,976)	(44,380,450)
Net Change	1,139,501	6,087,938
Cumulative Results of Operations	\$462,155,986	\$461,016,485
Net Position	\$462,155,986	\$461,016,485

The accompanying notes are an integral part of these financial statements.



“AFRH is also home to geese, mallards, raccoons, badgers, and a red fox.”
– William Wood (Army)

ARMED FORCES RETIREMENT HOME
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Budgetary Resources:		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$44,406,117	\$49,991,393
Recoveries of Prior Year Unpaid Obligations	1,270,568	1,308,146
Budget Authority		
Appropriation	134,000,000	63,010,000
Total Budgetary Resources	\$179,676,685	\$114,309,539

Status of Budgetary Resources:

Obligations Incurred		
Direct	\$76,846,377	\$69,903,422
Apportioned	102,830,308	44,406,117
Total Status of Budgetary Resources	\$179,676,685	\$114,309,539

Change in Obligated Balance:

Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$84,863,613	\$172,767,646
Obligations Incurred Net (Note 14)	76,846,377	69,903,422
Gross Outlays	(115,123,987)	(156,499,309)
Recoveries of Prior Year Unpaid		
Obligations, Actual	(1,270,568)	(1,308,146)
Total, Unpaid Obligated Balance, Net, End of Period	\$45,315,435	\$84,863,613

Net Outlays:

Gross Outlays	\$115,123,987	\$156,499,309
Distributed Offsetting Receipts	62,428,632	60,751,627
Net Outlays	\$52,695,355	\$95,747,682

The accompanying notes are an integral part of these financial statements.

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 24U.S.C. The AFRH is an independent agency in the executive branch of the Federal Government. The AFRH has two facilities. One is located in Gulfport, MS and the other is located in Washington, D.C.

The AFRH's mission is to fulfill our nation's promise to its veterans by providing a premier retirement community with exceptional residential care and extensive support services. We support our residents' independence, dignity, distinction, heritage and future of continued life-enriching experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to providing the best housing and support services possible and creating a true community of accomplished, independent residents, who are free to explore their talents, pursue their interests and follow their dreams.

The 1991 Defense Authorization Act created an AFRH Trust Fund (Trust Fund). Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no-year basis.

AFRH has rights and ownership of all assets reported in these financial statements. AFRH does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the AFRH. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of AFRH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and AFRH accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control AFRH's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

Notes to the Financial Statements

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit AFRH to incur obligations for specified purposes. In fiscal years 2010 and 2009, AFRH was accountable for Armed Forces Retirement Home Trust Fund appropriations. AFRH recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants and transfers from the Armed Forces Retirement Home Trust Fund.

D. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

E. Revenues & Other Financing Sources

Exchange Revenue

Exchange revenues are inflows of resources to a government entity that the entity has earned. Exchange revenue is derived from the rendering of services, the sale of resources, and the use by others of entity assets yielding interest or dividends.

The AFRH's exchange revenue consists primarily of resident fees, rental income, leases and sales, meal tickets, and interest earned on Treasury securities. Revenue from resident fees is recognized when services are provided and is invested for future funding requirements.

Non-Exchange Revenue

Non-Exchange revenues are inflows of resources the government demands or receives by donation. Such revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that the collection is probable and the amount is reasonably estimated.

The AFRH's non-exchange revenue consists of military fines and forfeitures, monthly payroll withholdings from enlisted military personnel, bequests, and donations. Non-exchange revenue is recognized when collected.

Financing Sources

The AFRH receives the majority of funding needed to support operations and capital expenditures from the Trust Fund. The Trust Fund is financed by military fines and forfeitures, monthly payroll deductions from eligible enlisted military personnel and Warrant Officers, resident fees, sales and leases, interest earned on Treasury securities, and donations.

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating, capital and grant expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

AFRH recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

F. Taxes

AFRH, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury

Resident fee receipts collected by the AFRH are processed by a commercial bank for deposit at the U.S. Department of the Treasury (U.S. Treasury). The U.S. Treasury as directed by the authorized certifying officer processes cash receipts and disbursements. Funds with the Department of the Treasury primarily represent funds that are available to pay current liabilities and finance authorized purchase commitments. See Note 2 for additional information.

H. Investment in U.S. Government Securities

Trust Fund balances may only be invested in interest bearing debt securities issued by the Bureau of the Public Debt. These securities are market based Treasury securities issued without statutorily determined interest rates and consist of Treasury bills and notes.

The AFRH classifies these investments as held-to-maturity at the time of purchase. The investments are stated at acquisition cost plus or minus any premium or discount. Premiums and discounts are amortized over the life of the Treasury security using the interest method. The AFRH's intent is to hold the investments to maturity, unless securities are needed to sustain operations. No provision is made for realized gains or losses on these securities due to the fact that they are held-to-maturity. Interest is received semi-annually on the held-to-maturity investments. This interest is accrued monthly until it is received.

The AFRH may, from time to time, hold an investment in a one-day certificate issued by the Bureau of the Public Debt. The interest earned on the certificate is reinvested in the certificate on a daily basis. These investments are classified as trading securities. See Note 3 for additional information.

I. Accounts Receivable

Accounts receivable consists of amounts owed to AFRH by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

J. Property, Equipment, and Software

The AFRH owns the land and buildings in which both homes operate. The majority of the property, equipment and software is used to provide residential and health care to members and is valued at cost. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to \$50,000 per unit is capitalized. Routine maintenance is expensed when incurred. Construction costs are capitalized as construction-in-progress until the asset is completed then transferred to the appropriate property account. Depreciation expense is recognized on property, equipment and software with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the assets' useful lives. Other equipment is expensed when purchased. Most AFRH heritage assets are multi-use facilities and are classified as general property, equipment and software. The useful lives used when recording depreciation on property, equipment and software are as follows:

Description	Useful Life (years)
Land and Improvements	10-20
Buildings and Improvements	20-40
Equipment	5-10

K. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

L. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the AFRH as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

M. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

N. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Funding will be obtained from future financing sources to the extent that current or prior year appropriations

are not available to fund annual leave earned but not taken. Sick leave and other types of non-vested leave are expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

O. Accrued and Actuarial Workers’ Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the AFRH employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the AFRH terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

P. Retirement Plans

AFRH employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of AFRH matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund. Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which AFRH automatically contributes one percent of pay and

post-retirement benefit to current employees. The AFRH recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the AFRH through the recognition of an imputed financing source.

R. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.



matches any employee contribution up to an additional four percent of pay. For FERS participants, AFRH also contributes the employer’s matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, AFRH remits the employer's share of the required contribution.

AFRH recognizes the imputed cost of pension and other retirement benefits during the employees’ active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

AFRH does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

Q. Other Post-Employment Benefits

AFRH employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGHIP) may continue to participate in these programs after their retirement. The OPM has provided the AFRH with certain cost factors that estimate the true cost of providing the

S. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. AFRH recognized imputed costs and financing sources in fiscal years 2010 and 2009 to the extent directed by OMB.

T. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. AFRH recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to AFRH for agency operations. Payments from the Judgment Fund are recorded as an “Other Financing Source” when made.

U. Reclassification

Certain fiscal year 2009 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2010 and 2009 were as follows:

Fund Balances:

	2010	2009
Trust Funds	\$13,824,429	\$76,282,883
Investments	183,736,984	176,358,831
Less: Accrued Interest and Unamortized Premium	(5,759,736)	(8,144,558)
Total	\$191,801,677	\$244,497,156

Status of Fund Balance with Treasury:

	2010	2009
Unobligated Balance		
Available	\$102,830,308	\$44,406,117
Unavailable	43,655,934	115,227,426
Obligated Balance Not Yet Disbursed	45,315,435	84,863,613
Total	\$191,801,677	\$244,497,156

NOTE 3. INVESTMENTS

Investments as of September 30, 2010 consist of the following:

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Non-Marketable						
Market-Based	140,013,562	Interest	3,046,879	2,263,047	145,323,488	172,731,499
One Day Certificate	38,413,496				38,413,496	19,083,287
Total	\$178,427,058		\$3,046,879	\$2,263,047	\$183,736,984	\$191,814,786

Investments as of September 30, 2009 consist of the following:

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Non-Marketable						
Market-Based	163,999,737	Interest	5,513,497	2,181,251	171,694,485	177,750,429
One Day Certificate	4,664,346				4,664,346	4,664,346
Total	\$168,664,083		\$5,513,497	\$2,181,251	\$176,358,831	\$182,414,775

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investment maturity dates for fiscal years 2010 and 2009 range from February 15, 2011 to May 15, 2016 and November 15, 2009 to May 15, 2016, respectively, and interest rates for the same fiscal years range from 4.500 percent to 5.125 percent and 4.500 percent to 6.500 percent, respectively.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the AFRH as evidence of its receipts. Treasury

securities are an asset to the AFRH and a liability to the U.S. Treasury. Because the AFRH and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the AFRH with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the AFRH requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2010 and 2009 were as follows:

	2010	2009
Intragovernmental		
US Army Corp of Engineers	\$39,188	\$142,831
US Air Force 4th Qtr. Fines	438,335	450,864
US Army 4th Qtr. Fines	1,122,474	1,336,239
US Marines 4th Qtr. Fines	997,155	992,142
Smithsonian Institution	72,235	19,263
Subtotal, Intragovernmental	2,669,387	2,941,339
With the Public		
Resident Fees Receivable	255,936	467,509
Miscellaneous	217,119	190,495
Subtotal, With the Public	473,055	658,004
Total Accounts Receivable	\$3,142,442	\$3,599,343

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force and Marine Corp.

Accounts receivable from the public is primarily made up of resident fees due from residents of AFRH.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2010 and 2009.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2010

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Buildings and Improvements	\$181,456,706	\$151,293,558	\$30,163,148
Land and Improvements	11,006,567	10,369,414	637,153
Furniture & Equipment	3,289,482	2,859,386	430,096
Construction-in-Progress	246,998,318	N/A	246,998,318
Total	\$442,751,073	\$164,522,358	\$278,228,715

Schedule of Property, Equipment, and Software as of September 30, 2009

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Buildings and Improvements	\$181,456,706	\$145,535,038	\$35,921,668
Land and Improvements	10,982,370	10,216,187	766,183
Furniture & Equipment	3,289,482	2,728,126	561,356
Construction-in-Progress	183,855,674	N/A	183,855,674
Total	\$379,584,232	\$158,479,351	\$221,104,881

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2010 and 2009, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2010	2009
Intragovernmental – FECA	\$1,946,681	\$1,932,719
Unfunded Leave	1,125,272	1,051,933
Actuarial FECA	8,888,145	8,886,860
Total Liabilities Not Covered by Budgetary Resources	\$11,960,098	\$11,871,512
Total Liabilities Covered by Budgetary Resources	4,816,486	4,457,941
Total Liabilities	\$16,776,584	\$16,329,453

Federal Employee's Compensation Act (FECA) liability represents the unfunded liability for actual workers compensation claims paid on AFRH's behalf and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 7. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and dependents of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for AFRH's employees are administered by the DOL and ultimately paid by AFRH when funding becomes available.

AFRH bases its estimate for FECA actuarial liability on the DOL's FECA model. The model considers the average amount of benefit payments incurred by AFRH for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid (LBP) ratio for the whole FECA program. For the fiscal years ending September 30, 2010 and 2009, AFRH uses the overall average percentages of the LBP ratios to calculate the \$8.9 million FECA actuarial liabilities for those years.

NOTE 8. OTHER LIABILITIES

All other liabilities are considered current liabilities.

	2010	2009
Intragovernmental Liabilities		
FECA Liability	\$1,946,681	\$1,932,719
Payroll Taxes Payable	222,787	199,054
Other	11,203	1,804
Total Intragovernmental Liabilities	\$2,180,671	\$2,133,577
With the Public		
Payroll Taxes Payable	\$28,376	\$25,285
Accrued Funded Payroll and Leave	837,260	749,631
Unfunded Leave	1,125,272	1,051,933
Other	49,771	51,923
Total Public Liabilities	\$2,040,679	\$1,878,772

NOTE 9. LEASES

AFRH leases several of its buildings for use as office space as well as parking areas associated with those buildings. Most of the leases expire annually with the exception of one lease that should expire in 2049. Future receipts are as follows:

Fiscal Year	2010
2011	\$547,858
2012	77,267
2013	77,267
2014	77,267
2015	77,267
Thereafter	2,633,514
Total Future Receipts	\$3,490,440



NOTE 10. EARMARKED FUNDS

AFRH has earmarked funds that fall into the following categories: Capital Fund, Hurricane Katrina Fund and the Operations & Maintenance Fund. Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no-year basis, while the Hurricane Katrina monies were appropriated on an emergency basis (until expended) to cover necessary expenses related to the consequences of Hurricane Katrina.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

Schedule of Earmarked Funds as of September 30, 2010

	Capital Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Earmarked Funds
Balance Sheet				
ASSETS				
Fund Balance with Treasury	\$(1,100,475)	\$6,118,186	\$8,806,718	\$13,824,429
Investments	-	-	183,736,984	183,736,984
Accounts Receivable	-	-	3,142,442	3,142,442
Property, Equipment, and Software	51,836,504	226,392,211	-	278,228,715
Total Assets	\$50,736,029	\$232,510,397	\$195,686,144	\$478,932,570
LIABILITIES AND NET POSITION				
Accounts Payable	\$72,805	\$534	\$3,593,750	\$3,667,089
Other	-	-	13,109,495	13,109,495
Cumulative Results of Operations	50,663,224	232,509,863	178,982,899	462,155,986
Total Liabilities and Net Position	\$50,736,029	\$232,510,397	\$195,686,144	\$478,932,570
Statement of Net Cost				
Program Costs	\$6,031,124	\$11,882	\$54,432,057	\$60,475,063
Less: Earned Revenues	-	-	(14,504,087)	(14,504,087)
Net Cost of Operations	\$6,031,124	\$11,882	\$39,927,970	\$45,970,976
Statement of Changes in Net Position				
Net Position Beginning of Period	\$56,694,348	\$232,521,745	\$171,800,392	\$461,016,485
Net Cost of Operations	(6,031,124)	(11,882)	(39,927,970)	(45,970,976)
Other Nonexchange Revenue	-	-	47,110,477	47,110,477
Change in Net Position	(6,031,124)	(11,882))	7,182,507	1,139,501
Net Position End of Period	\$50,663,224	\$232,509,863	\$178,982,899	\$462,155,986

Schedule of Earmarked Funds as of September 30, 2009

	Capital Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Earmarked Funds
Balance Sheet				
ASSETS				
Fund Balance with Treasury	\$(1,150,769)	\$68,137,374	\$9,296,278	\$76,282,883
Investments	-	-	176,358,831	176,358,831
Accounts Receivable	35,658	-	3,563,685	3,599,343
Property, Equipment, and Software	56,719,976	164,384,905	-	221,104,881
Total Assets	\$55,604,865	\$232,522,279	\$189,218,794	\$477,345,938
LIABILITIES AND NET POSITION				
Accounts Payable	\$58,286	\$534	\$3,371,424	\$3,430,244
Other	-	-	12,899,209	12,899,209
Cumulative Results of Operations	55,546,579	232,521,745	172,948,161	461,016,485
Total Liabilities and Net Position	\$55,604,865	\$232,522,279	\$189,218,794	\$477,345,938
Statement of Net Cost				
Program Costs	\$6,897,632	\$11,880	\$54,043,148	\$60,952,660
Less: Earned Revenues	-	-	(16,572,210)	(16,572,210)
Net Program Costs	6,897,632	11,880	37,470,938	44,380,450
Net Cost of Operations	\$6,897,632	\$11,880	\$37,470,938	\$44,380,450
Statement of Changes in Net Position				
Net Position Beginning of Period	\$62,444,211	\$232,533,625	\$159,950,711	\$454,928,547
Net Cost of Operations	(6,987,632)	(11,880)	(37,470,938)	(44,380,450)
Other Nonexchange Revenue	-	-	50,468,388	50,468,388
Change in Net Position	\$(6,897,632)	\$(11,880)	\$12,997,450	\$6,087,938
Net Position End of Period	\$55,546,579	\$232,521,745	\$172,948,161	\$461,016,485

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent an exchange of goods and services made between two reporting entities within the Federal Government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2010	2009
Program: Culture of Integrity		
Intragovernmental Costs	\$549,719	\$265,433
Public Costs	2,322,846	1,355,908
Total Program Costs	2,872,565	1,621,341
Less: Intragovernmental Earned Revenue	198,594	143,415
Less: Public Earned Revenue	490,350	297,406
Net Program Costs	\$2,183,621	\$1,180,520
Program: Exceptional Service		
Intragovernmental Costs	\$9,367,206	\$8,385,083
Public Costs	39,581,310	42,833,437
Total Program Costs	48,948,516	51,218,520
Less: Intragovernmental Earned Revenue	3,384,053	4,530,490
Less: Public Earned Revenue	8,355,556	9,395,138
Net Program Costs	\$37,208,907	\$37,292,892
Program: Financial Growth		
Intragovernmental Costs	\$34,719	\$19,957
Public Costs	146,706	101,948
Total Program Costs	181,425	121,905
Less: Intragovernmental Earned Revenue	12,543	10,783
Less: Public Earned Revenue	30,969	22,361
Net Program Costs	\$137,913	\$88,761
Program: Improved Processes		
Intragovernmental Costs	\$1,592,448	\$1,278,269
Public Costs	6,728,921	6,529,767
Total Program Costs	8,321,369	7,808,036
Less: Intragovernmental Earned Revenue	575,297	690,653
Less: Public Earned Revenue	1,420,465	1,432,247
Net Program Costs	\$6,325,607	\$5,685,136

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

(Continued)

	2010	2009
Program: Learning and Growth		
Intragovernmental Costs	\$28,933	\$29,936
Public Costs	122,255	152,922
Total Program Costs	151,188	182,858
Less: Intragovernmental Earned Revenue	10,452	16,175
Less: Public Earned Revenue	25,808	33,542
Net Program Costs	\$114,928	\$133,141
Total Intragovernmental Costs		
Total Intragovernmental Costs	\$11,573,025	\$9,978,678
Total Public Costs		
Total Public Costs	48,902,038	50,973,982
Total Costs		
Total Costs	60,475,063	60,952,660
Less: Total Intragovernmental Earned Revenue		
Less: Total Intragovernmental Earned Revenue	4,180,939	5,391,516
Less: Total Public Earned Revenue		
Less: Total Public Earned Revenue	10,323,148	11,180,694
Total Net Cost		
Total Net Cost	\$45,970,976	\$44,380,450

NOTE 12. IMPUTED FINANCING SOURCES

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2010 and 2009, respectively, imputed financing was as follows.

	2010	2009
Office of Personnel Management	\$1,803,733	\$1,513,074
Total Imputed Financing Sources	\$1,803,733	\$1,513,074

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President’s Budget that will include FY10 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2011 Budget of the United States Government, with the “Actual” column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2010 and 2009 consisted of the following:

	2010	2009
Direct Obligations, Category A	\$62,090,099	\$54,078,728
Direct Obligations, Category B	14,756,278	15,824,694
Total Obligations Incurred	\$76,846,377	\$69,903,422

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, object codes or a combination of these categories.

NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the year ended September 30, 2010 and 2009, undelivered orders amounted to \$40,559,922 and \$43,872,931, respectively.

NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

AFRH has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$76,846,377	\$69,903,422
Less: Spending Authority From Offsetting Collections and Recoveries	(1,270,568)	(1,308,146)
Less: Offsetting Receipts	(62,428,632)	(60,751,627)
Net Obligations	13,147,177	7,843,649
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,803,733	1,513,074
Net Other Resources Used to Finance Activities	1,803,733	1,513,074
Total Resources Used to Finance Activities	14,950,910	9,356,723
Resources Used to Finance Items Not Part of the Net Cost of Operations	22,553,839	24,510,672
Total Resources Used to Finance the Net Cost of Operations	37,504,749	33,867,395
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	8,466,227	10,513,055
Net Cost of Operations	\$45,970,976	\$44,380,450

Armed Forces Retirement Home Required Supplementary Information
Intragovernmental Transactions as of September 30, 2010

Agency	Fund Balance with Treasury	Investments	Accounts Receivable	Total
Treasury	\$ 13,824,429	\$ 83,736,984	\$ -	\$ 197,561,413
Smithsonian Institution			72,235	72,235
Air Force	-	-	438,335	438,335
Army	-	-	1,122,474	1,122,474
Army Corp of Engineers	-	-	39,188	39,188
Marines	-	-	997,155	997,155
Total	\$ 13,824,429	\$ 83,736,984	\$ 2,669,387	\$ 200,230,800

Agency	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Treasury General Fund	\$ -	\$ 58,668	\$ -	\$ 58,668
Program Support Center	23,467	-	-	23,467
General Services Administration	14,000	-	-	14,000
Federal Tech Service Office	15,000	-		15,000
DRMS	15,000	-		15,000
Department of Labor	-	11,203	-	11,203
Labor	-	-	1,946,681	1,946,681
Personnel Management	-	164,119	-	164,119
Total	\$ 67,467	\$ 233,990	\$ 1,946,681	\$ 2,248,138

Armed Forces Retirement Home Required Supplementary Stewardship
Information for the Years Ended September 30, 2010 and 2009

Federal agencies are required to classify and report heritage assets, in accordance with the requirements of SFFAS No. 29, “Heritage Assets and Stewardship Land.”

Heritage assets are property, plant, and equipment that possess one or more of the following characteristics: historical or natural significance; cultural, educational, or aesthetic value; or significant architectural characteristics.

Since the cost of heritage assets is usually not determinable, AFRH does not place a value on them or establish minimum value thresholds for designation of property, plant, and equipment as heritage assets. Additionally, the useful lives of heritage assets are not reasonably estimable for depreciable purposes. Since the most relevant information about heritage assets is their existence, they are qualified in terms of physical units.

The AFRH has four buildings and structures that are designated as National Historic Landmarks.

In accordance with SFFAS No. 29, heritage assets that are used in day-to-day government operations are considered “multi-use” heritage assets that are not used for heritage purposes. Such assets are accounted for as general property, plant, and equipment and are capitalized and depreciated in the same manner as other general property, plant, and equipment. The AFRH has three buildings and structures that are considered to be “multi-use” heritage assets.

Roy: I've been here five years.
Frank: It's good living here.
Roy: His golf game's another story.
Frank: I usually do 18 holes.
Roy: He goes around the 9-hole twice.
Frank: Practice makes Perfect. I shot 100.
Roy: Then you played the second hole.
Frank: Yep, that ruined my score.
Roy: At least the greens are in good shape.
Frank: Hey, I work out every day.
Roy: This isn't exercise. This is fun.
Frank: My pleasure.
Roy: You want exercise you go to the gym.
Frank: Speak for yourself.
Roy: We ride in the cart anyhow.
Frank: The main thing is staying active.
Roy: Yeah it keeps you thinking.
Frank: Mentally sharp.
Roy: You've got to think all the time.
Frank: Better than looking out the window.
Roy: That's no good.
Frank: We're much better off.
Roy: There's only 25 of us who golf.
Frank: Not many of us left.
Roy: I've made my complaints to the IG.



Teeing off: Roy Wheeler (Marine Corps) and Frank McCabe (Army).

ACCOMPANYING INFORMATION

- The IG Letter
- Management & Performance Challenges
- Improper Payments
- Acronyms
- Acknowledgments

AFRH IG VIEWPOINT

The Appraisal of Advances

The Reports Consolidation Act of 2000 (RCA) (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and their progress in addressing them.

Throughout FY10, AFRH pressed ahead with actions aimed at tackling High-priority needs to meet agency goals. A summary of the Home's proactive response to those challenges can be viewed in the MD&A section.



Maurice Swinton,
AFRH IG

Memorandum

To: Timothy C. Cox, Chief Operating Officer

Subject: Management and Performance Challenges for FY 2011

In accordance with Section 3 of the Reports Consolidation Act of 2000, a statement is provided by the Inspector General which summarizes what is considered to be the most serious management and performance challenges facing the Armed Forces Retirement Home. As in the past, the Inspector General at the Armed Forces Retirement Home focused on the primary challenges facing the Agency during the Fiscal Year. Over the past few years, the initiatives and programs being conducted and managed at the AFRH, have contributed to significant improvements in the operations and management of the agency and increased efficiency and productivity for the programs and staff, a demonstrated result of recommendations made by my office and other inspection and audit activities. The management and performance challenges also link directly to the President's Management Agenda initiative.

I am pleased to congratulate the AFRH on the completion of its new Gulfport facility, the development of its finalized Washington Scott Project Plan, and the migration of its of Desktop Support and Hosted Applications services to the National Business Center (NBC). These major efforts are evidence of the AFRH's commitment to improving upon its processes and programs to maintain the operations at each campus and the solvency of the Trust Fund. Another example of the AFRH's goal and intent to provide exemplary services to its current resident population and the next generation of veterans to enjoy the highest level quality of life benefits that the Home has to offer.

Gulfport Stand-up: Through two public Laws (PL 109-148 and 109-148) Congress has authorized approximately \$240 million for the rebuild of the Gulfport home. The construction began in January 2008 and was completed in the last quarter of Fiscal Year 2010. Residents began returning to the facility in October 2010. Maximum capacity expected will be 582 residents.

Washington Scott Project: In the President's Budget for Fiscal Year 2009, AFRH was highlighted under "Strengthening Infrastructure for the 21st Century" by improving housing for retired veterans and design funding for our Scott Project. Through a study appropriated by Congress during 2008, insight into a lengthy and complex process was undertaken to anticipate and plan for the future. Through many internal meetings with staff and stakeholders, and additional discussions with residents the AFRH has finalized its plan to embark upon the renovation of its largest dormitory at the Washington facility. Building design plans have been developed along with additional renovations plans necessary to support the transition during the construction phase to the final completion of the new building.

Desktop Support & Hosted Applications: At the beginning of Fiscal Year 2010, contracted with the National Business Center (NBC) to provide hosting and Information Technology Infrastructure Management for its IT environment. NBC has provided automated administrative services to Federal clients for over 20 years and is an ISO 9001 Certified Shared Service provider. This migration affords the

AFRH to secure all of it applications under a FISMA compliant environment and includes backup data center support to insure a quick recovery in the event of a natural disaster. The migration was completed in the 4th quarter of Fiscal Year 2010.

In accordance with the Reports Consolidation Act of 2000, I have identified the most serious management and performance challenges facing the Armed Forces Retirement Home (AFRH) in FY2011.

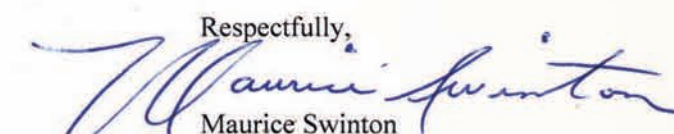
Management Challenges

- Return residents to Gulfport and initiate programs and services
- Implement, manage and monitor Washington Scott Project Plan
- Continue to educate, define, train and promote Resident well-being to the Resident community and staff

Performance Challenges

- Implement Scott Project Plan Construction
 - Manage the supporting construction efforts and the relocation of programs and services to ensure that residents do not experience in degradation of services during the construction for the Scott Project.
- Implement Independent Living Plus Program
 - AFRH must implement the ILP program at both facilities (Gulfport & Washington) while educating staff on the new polices and residents on the program's benefits.
- Implement Human Capital Succession Plan
 - AFRH must complete the development of the plan and implement the procedures while educating staff on the new polices.
- Implement e-Records/e-Health Records Systems
 - AFRH must research, select and secure electronic Records/Health Records system(s) to support both facilities (Gulfport & Washington).
- Implement NBC Hosted Information Technology System
 - AFRH must ensure that staff is trained on the NBC network policies and procedures, as well as the access protocols for the hosted applications at both facilities.
- Expand visibility of military heritage
 - AFRH should ensure that displays of military heritage are implemented throughout the Gulfport facility.
- Adhere to timelines and participate in annual mandatory training
 - AFRH management must continue to enforce attendance for its employees for the mandatory training classes outlined by the agency. Tighter constraints and measures must be taken to ensure that employees participate in the mandatory training classes and that participation is timely.
- Financial Management of operating costs and expenditures
 - AFRH management must continue to streamline costs at the Washington campus and seek to bring spending parity between the two campuses (Gulfport & Washington, in as much as possible to ensure that long-range financial goals are met.

Sustaining the progress that has been made by the AFRH through its initiatives and programs is imperative; the AFRH IG will continue to monitor the outcomes of the areas identified.

Respectfully,

 Maurice Swinton
 Inspector General

RESULTS: FY10 CHALLENGES

The Will of Responsiveness

PROGRESS

RESULTS: FY10 Management Challenges

1) Initiate Gulfport Stand-up

Construction managed by GSA was finished on-time and within budget. Gulfport and Washington staff worked in tandem to ensure a smooth transition on grand opening preparations. Plus, all milestones were met. Happy residents began living in the beautiful new Gulfport home. Contracts were in place, food was served in the dining hall on day one, and moving boxes were delivered.

2) Implement, Manage & Monitor Washington Scott Project

The requirement: to build living and activity spaces that promote Aging in Place. So AFRH staff and residents met with architects and GSA to create a design for the new Commons building to replace Scott. While ongoing designs put us behind about three weeks, bids did go out to find a Design / Build contractor at the end of FY10.

Meanwhile, monthly Focus Groups were held to answer questions and present concepts and designs. Postings on afrh.gov also provided easily accessible information.

3) Educate, Train & Promote Wellness to Residents & Staff

A major milestone was met: implement an ILP pilot program. Next, AFRH advanced its plan to transform operations so residents can maintain independence. Staff training reached about 75% in health-care. And brochures were made available to all stakeholders and presented to every resident. At the annual Management Offsite, emphasis was placed on this progressive new model. Pairing Washington and Gulfport staff in these meetings reduced the learning curve for new Gulfport staff – and cemented management's operational approach for all.



PROGRESS

RESULTS: FY10 Performance Challenges

1) Deploy Human Capital Management Plan

Our Strategic Human Capital Plan (SHCP) was successfully updated in Feb 10.

2) Execute Human Capital Succession Plan

This vital Succession Plan is its final draft phase and is awaiting approval.

3) Define Washington & Gulfport Staffing Models

Staffing models are being updated continually by the CFO through the LRFP and by Healthcare Services. With Gulfport residents being more independent, their model has evolved with slight differences than the one used for Washington.

4) Increase Visibility of Military Heritage

We opened stored memorabilia saved from Katrina and displayed it proudly in the new AFRH-G Hall of Honors. Washington managers began planning their own Hall of Honors in the new Commons, plus we added an anchor and new cannons in the quadrangle. Year-round celebrations continue to honor military birthdays and key service events.

5) Adhere to Timelines & Participate in Annual Mandatory Training

Much emphasis was placed on mandatory training in FY10. Results were above the stated goal of 70%. Performance Management and Network Security were closely monitored to ensure compliance. Plus 100% of AFRH-G staff received training before the opening of the new Home.

6) Manage Operating Costs & Expenditures

Throughout FY10, financial concerns were top of mind for management. Contracts were renegotiated to yield savings. Scrutiny over spending and savings was increased. Plus the LRFP was reviewed and analysis was performed to ensure Trust Fund solvency through 2020.

Hugh Wingo (Navy) and Catharine Deitch (Army) are crowned the King and Queen of Mardi Gras.



IMPROPER PAYMENTS

The Skill of Detection

Improper Payments Information Act (IPIA)

Each year, our partner BPD reviews each AFRH business program for improper and erroneous payments. We’re pleased to report only two improper payments during FY10 – truly outstanding results.

Erroneous Payments FY10:	2
<hr/>	
Total amount of Payments:	\$90.90

1) A number reversal in a stipend payment:

The payment showed \$210.00, but it should have been \$120.00. When \$210.00 was paid, that action created a \$90.00 improper payment. This was corrected by deducting \$90.00 of the next month’s stipend payment.

2) Confusion over Washington Gas accounts:

This IP involved multiple accounts and the resulting confusion about payments from those accounts. ARC created the error by making a payment late and thereby owing a late penalty.

IP Details:

BPD catches erroneous payments and makes the needed corrections. Then, BPD notifies the AFRH Business Office, Contracting Officer’s Technical Representatives (COTRs), and technicians. Fortunately these IPs did not affect our audit outcome.

AFRH IP History:

FY05:	1	FY07:	4	FY09:	179*
FY06:	30	FY08:	4	FY10:	2

**172 were by McKesson over 2 fiscal years (and only detected in FY09)*



Acronyms

AAFES	Army and Air Force Exchange Service	FASAB	Federal Accounting Standards Advisory Board	NCPC	National Capital Planning Commission
ADA	Americans with Disabilities Act	FECA	Federal Employees Compensation Act	NAVFAC	Naval Facilities
AL	Assisted Living	FEMA	Federal Emergency Management Agency	NCOA	Non-commissioned Officers Association
ARC	Administrative Resource Center	FEDInvest	Federal Investment (software application)	NDAA	National Defense Authorization Act
AFRH	Armed Forces Retirement Home	FFMIA	Federal Financial Management Improvement Act	NFC	National Finance Center
BPD	Bureau of Public Debt	FISMA	Federal Information Security Management Act	NLT	No Later Than
C&A	Certification and Accreditation	FMFIA	Federal Managers Financial Integrity Act	NPSG	National Patient Safety Goals
CARF-CCAC	Commission on Accreditation of Rehabilitation Facilities and Continuing Care Accreditation Commission	FTE	Full-time Equivalents	OMB	Office of Management and Budget
CCRC	Continuing Care Retirement Community	FY	Fiscal Year	OPM	Office of Personnel Management
CFO	Chief Financial Officer	GAAP	Generally Accepted Accounting Principles	OSD	Office of the Secretary of Defense
CHCO	Chief Human Capital Officer	GPRA	Government Performance and Results Act	OSHA	Occupational Safety and Health Administration
CMMS	Computerized Maintenance Management System	GSA	General Services Administration	PART	Program Asset Rating Tool
CNA	Certified Nursing Assistant	HSPD-12 PIV	Homeland Security Presidential Directive 12 – Personal Identification Verification	PC	Personal Computer
COO	Chief Operating Officer	IG	Inspector General	PMD	Power Mobility Device
COTR	Contracting Officer’s Technical Representative	IL	Independent Living	PPE	Property, Plant, and Equipment
COTS	Commercial-Off-The-Shelf	ILP	Independent Living Plus	QIP	Quality Improvement Plan
CRA	Continuing Resolution Act	IPAC	Intragovernmental Payment and Collection System	RADM	Rear Admiral
CWOA	Chief Warrant & Warrant Officers Association US Coast Guard	IPIA	Improper Payments Information Act	RFP	Request for Proposal
DAPS	Document Automation and Production Service	IT	Information Technology	RFQ	Request of Qualification
DAV	Disabled American Veterans	IP	Internet Protocol	RIS	Resident Information System
DCOO	Deputy Chief Operating Officer	JFMIP	Joint Financial Management Improvement Act	RN	Registered Nurse
DEIS	Draft Environmental Impact Statement	KHC	King Health Center	SAS	Statement on Auditing Standards
DEOMI	Defense Equal Opportunity Management Institute	LEED	Leadership in Energy and Environmental Design	Seabees	Naval Construction Battalion
DFAS	Defense Finance and Acquisition System	LPN	Licenses Practical Nurse	SF	Square Feet
DoD	Department of Defense	LRFP	Long Range Financial Plan	SHCP	Strategic Human Capital Plan
DOI	Department of Interior	LTC	Long Term Care	SME	Subject Matter Experts
EEO	Equal Employment Opportunity	MS	Memory Support	SOP	Standard Operating Procedure
EFT	Electronic Funds Transfer	NBC	National Business Center	SSG	Service Study Group
FAIR	Federal Activities Inventory Reform			STAR	Systems Time and Attendance Report
FAR	Federal Acquisition Regulation			TREA	The Retired Enlisted Association
				U.S.C.	United States Code
				USSGL	US Standard General Ledger
				VS0	Veteran Service Organization
				WG	Washington Gas

Thoughts?

In recent years, we've experienced natural disasters and economic challenges. In the end, AFRH has reemerged as a stronger agency. And our residents and staff have been revitalized. Each success and challenge presented here is for your enjoyment and enlightenment — and we welcome your feedback. Feel free to write or call us:

AFRH

3700 N. Capitol Street, NW

Washington, DC 20011-8400

attn: CFO, Box 1303

E: Public.Affairs@afrh.gov

T: 800-422-9988

F: 202-730-3492

ACKNOWLEDGMENTS

The Expression of Gratitude

Words can hardly express our heartfelt gratitude for the many volunteers, families, and stakeholders who help the Home in countless ways. Special thanks also go to the Mayor and City of Gulfport, MS for welcoming back our residents with open arms. Together, you are advancing the care of those who defended our cherished freedoms. This, truly is, ***The Power of Progress.***



Thanks.

"I am glad
I came to
Washington.
It's been a
great place."

— Curtis Young (Air Force)



He is the epitome of wellness. At age 78 Curt runs, bikes, golfs, lifts, and swims. In April he competed in the Cherry Blossom 10-miler. "I finished fourth in my age group 75 and up at 1:56. I'm happy I ran because I needed something to challenge my speed. He started out doing triathlons. "In Charlottesville I did a 1.25-mile lake swim, a 40-mile bike ride, and a 10K run. They had an unusual cold spell and the water temperature dipped. That was my last tri," he quipped. Curt teaches "Flexibility & Strength Training" at AFRH-W. His favorite time of year is spring and fall in DC. And he says DC has the friendliest biking scene he's ever known. Even so, Curt has transferred to AFRH-Gulfport. "It wasn't an easy decision. The biggest selling points are warmer weather and the ocean. Though I'll miss entertaining my children, grandchildren, and friends in DC because there's so much to do." Godspeed, Curt.

